REPORT

OF THE

Indian Tariff Board

ON THE

WOOLLEN TEXTILE INDUSTRY

DELHI : MANAGER OF PUBLICATIONS
1935

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SUMMARY OF RECOMMENDATIONS.

1. We have divided the Mill Industry into two sections—the woollen and the worsted. Taking woollens first, we have proposed the separate classification of woollen blankets in the Customs Schedule. We define a woollen blanket as one containing not less than 25 per cent. wool, and recommend that a specific duty of 4 annas a lb. combined with an *ad valorem* duty of 25 per cent. should be imposed on all woollen blankets. A minimum duty of one rupee per blanket is proposed in order to protect the handloom industry and the lowest class of mill blanket against the importation of very light rugs made of shoddy and mixed materials.

Blankets.

2. In regard to other fabrics we have found that protection is required against shoddy materials from Italy and other countries. We have recommended that shoddy goods should no longer be excluded from the classification of woollen piecegoods and recommend a specific duty of one rupee a lb. with an alternative *ad valorem* duty of 35 per cent. on piecegoods classed as 'woollens'.

Piecegoods classed as 'Woollens'.

3. In the worsted section of the industry we find that protection is chiefly required against Japanese goods. We recommend that shawls should no longer be treated differently from other piecegoods. We have found that the *ad valorem* duty required to protect the industry against Japan amounts to 77 per cent., a figure far greater than that required against other countries, the currency of which has not depreciated. We therefore suggest that if it be feasible under the Trade Conventions, the protective duty should be fixed at 40 per cent. and be coupled with an exchange compensation duty, and recommend that authority should be taken to impose this exchange compensation duty against any country on proof of currency depreciation, or similar stimulation of exports. In the case of Japan, the exchange compensation required to-day we find to be 37 per cent. The system of a quota is discussed, and left as an alternative. In view of the present chaotic condition of the world's exchanges, we propose that the protective duties should be imposed in the first instance for 3 years only, or until 31st March 1939.

Worsted shawls and piecegoods.

4. We have been unable to recommend the protection of Indian yarns on the grounds that the Indian Mills have been hitherto unable to meet the demand of subsidiary industries, that there is really no independent spinning industry in India which can satisfy the conditions of the Fiscal Commission and that the handloom and small scale industries and the hosiery industry require cheap yarn in order to safeguard their existence.

Worsted yarns.

Mixtures.

5. In regard to mixtures while we consider that the Customs or Trade Returns should continue to record the import of mixtures separately we recommend that mixtures which come under the classification of woollens should be subject to the same specific duty or *ad valorem* duty as pure woollens and that worsted mixtures should be liable to a similar *ad valorem* duty as pure worsted goods.

Preference to imports from United Kingdom.

6. In regard to imports from the United Kingdom we have found that under none of the above categories is protection required for the Indian industry to an extent greater than can be covered by the present revenue duty and that accordingly preferences may be given to imports from the United Kingdom without harm to the interests of the Indian industry. 25 per cent. *ad valorem* duty may therefore be retained on woollen and worsted piecegoods and hosiery and a preference extended to blankets and rugs.

Hosiery.

7. We have found that the present revenue duty of 35 per cent. is sufficient to protect the Indian industry, if the duty on yarns be not raised. We recommend that the protective duty be fixed at Re. 1-2 a lb. (necessary to cover socks and stockings) and at 35 per cent. *ad valorem*, whichever duty be the higher.

Miscellaneous: Staple fibre.

8. In view of the increasing use of staple fibre in the manufacture of mixed materials we have recommended that artificial staple fibre should be admitted like other raw materials free of duty or at the most subject to the duty at present levied on imported cotton.

Clearer cloth, sizing flannel and belting yarn.

9. We propose that clearer cloth and sizing flannel should no longer have the reduced preferential duty given to mill stores but should henceforth be included among other woollen imports.

Belting yarn should be treated as other yarns.

Export of lambs' wool.

10. We recommend the prohibition of the export of lambs' wool on the pelt in order to prevent the increasing practice of the slaughter of ewes with young.

Report

on the

Woollen Textile Industry.

CHAPTER I.

Preliminary.

Extent of the enquiry.

This enquiry was referred to the Tariff Board by Resolution No. 9-T. (2)/34, dated the 20th October, 1934, of the Government of India in the Commerce Department which runs as follows:—

"The Government of India have received representations from certain woollen mills in India requesting that protection may be extended to the woollen industry. In pursuance of paragraph 3 of the Resolution of the Government of India, Department of Commerce, No. 3748, dated the 10th July, 1923, the Government of India have decided that the claims of the industry should be the subject of an enquiry by the Tariff Board.

(2) In making its enquiry the Tariff Board will be guided by the principles laid down in the Resolution adopted by the Legislative Assembly on February 16th, 1923, and will consider—

(*a*) whether the conditions laid down in paragraph 97 of the Report of the Indian Fiscal Commission are satisfied in the case of the woollen textile industry in India; and

(*b*) in what form, to what extent and in respect of what articles or class or description of articles protection should be given.

(3) The Board will also take into account other relevant considerations including those stated in parts (*b*) and (*c*) of the Resolution adopted by the Legislative Assembly on the 16th February, 1923, and, further, will consider how its recommendations, if any, will affect industries using woollen yarn or any other articles made of wool.

(4) Firms or persons interested who desire that their views should be considered by the Tariff Board should address their

representations to the Secretary to the Board, Town Hall, Bombay."

Representations received.

2. A communiqué was issued on the same date calling for representations from all persons interested and a circular letter was addressed to all Provincial Governments and States asking for information regarding the village industry. A Joint Representation was received in response to the communiqué from the Woollen Mills situated in Bombay and Bangalore, and other representations were received from Chambers of Commerce and Trade Associations throughout India, from Hosiery Associations, and from minor factories chiefly in the Punjab and the United Provinces.

Boards' tour and oral evidence.

3. In November and December the Board toured in the Mysore District, and the Punjab, visiting most of the mills, a number of hosiery factories and villages selected to give information of the different types of article produced by the cottage industry. On return from tour questionnaires were issued to Mills, Hosiery factories, and merchants, and on receipt of replies to these, oral evidence was taken in Bombay during February and March. It was not till late in March that a representation was received from the British India Corporation (representing the Cawnpore and Dhariwal Mills) expressing sympathy with the application of the rest of the Mill industry, stating that for their part they had been able to hold their own in the market except against Japanese and Italian competition, and regretting that in the interests of their shareholders they were unable to divulge any statistics of output or costs. In view of this attitude of the Corporation the Board decided that the projected visit to Cawnpore would be useless. Oral evidence was however received from representatives of the United Provinces Industries Department. Such statistics as we have been able to obtain indicate that these two mills have an output amounting to perhaps 50 per cent. of the total output of the country, and the attitude of the Corporation therefore placed the Board in a grave quandary. We shall have to refer to this later in our report.

No representation from Baijnath Woollen Mill.

4. The only Mill from which we have received no representation at all is the Baijnath Woollen Mill, a small mill in Cawnpore, which is reported to be working irregularly.

Absence of effective statistics—a great handicap.

5. We have been greatly handicapped by the absence of effective statistics both of the Mill industry and of the Cottage industry, and the course of the enquiry has been much delayed by the attempt to collect them. The non-co-operation of the major representatives of the Mill industry has, we fear, left the general field of statistics much as it was. In respect of the Cottage industry the Government of Mysore with its usual thoroughness instituted a special enquiry, and the pamphlet which has been published by them contains a picturesque and we think

reasonably accurate picture of the conditions of the woollen ~~industry [illegible] State, and has been found of much~~ service. The Government of Kashmir has also submitted a representation which though less detailed, indicates the relative importance of the woollen industry in the economic fabric of the State. Of the Provinces of British India the cottage woollen industry is of major importance only in the Punjab and the United Provinces. But none of the Provinces have adequate statistics of their cottage industries, and even in the Punjab and the United Provinces we have had to rely for our information largely on sample surveys and the impressions of officials, to whom we are grateful for the way in which they have placed their knowledge and services at our disposal. We realize the great difficulty in the way of compiling and maintaining any records relating to an industry with fluctuating numbers and fluctuating output. But we have to confess that the statistics which we shall have to offer, while they may give a rough idea of the size and relative importance of the industry, are to a large extent somewhat unreliable estimates. We have received no information from any other Major State*, and draw the conclusion that the cottage industry, if it exists, is either of small importance or requires no help.

Same remark applicable to Hosiery Industry to a less degree.

6. To a less degree the remarks made in our last paragraph must apply to the Hosiery industry which in its modern form is the growth of the last few years. It is to a considerable extent organised into Associations which have done their best to supply us with statistics, but the industry is scattered, hundreds of 'factories' contain but a few machines, and it is obvious that no very accurate information whether of output or costs is feasible. The Hosiery industry is widely spread over India. There are important factories in Bombay, Bengal, Burma, the United Provinces and the Punjab, and the largest output comes from the industry in the Punjab, where its recent growth under the encouragement of cheap yarns from Japan and elsewhere has been almost phenomenal. And there is yet another form of the industry regarding which we have been able to obtain no information at all, *viz.*, the hand-knitting which is carried on we are told extensively, chiefly in Bengal, and the extent of which can only be roughly gauged from the imports and sales of knitting wool.

Need for investing Board with power to call for evidence.

7. The abstention of an important section of the Industry from any useful part in this enquiry raises once again in a more acute form the need for investing the Tariff Board with power to call for evidence. We can understand the reluctance of any unit of an industry to furnish for publication figures relating to their internal administration. But we think it wrong that any section of an industry which is applying for protection should be able, by refusing to supply statistics even in confidence, to prevent an effective enquiry and so jeopardise the position of the rest of the industry.

* Since this was written a report has come from Hyderabad.

8. Apart from this rather difficult problem it may be noted that the industry as a whole is yet unorganized. All important mills are members of the Bombay Millowners' Association, but the affiliation of the woollen mills to this central Association has very recently taken place, and the Association has had little opportunity of studying their special problems. We are sure we need lay no stress on the need of the Association maintaining all current statistics which are likely to be of interest or importance to future study of the industry.

Industry not yet organized.

9. We owe special thanks to our Technical Adviser, Mr. J. Addyman, whose lifelong acquaintance with the woollen industry in India and the United Kingdom has been of great service to us. His task has been one often involving immense labour, for which we cannot be too grateful.

Acknowledgment.

CHAPTER II.

General description of the Industry.

10. It is necessary for the understanding of the indigenous industry that we should first give some description of the raw material of the industry available in the country. "East Indian" wools as known in the world trade include not only Indian, but wool from Persia, Iraq, Afghanistan and Tibet. Except some of the Persian and Iraqi, these wools come into India by land, and are used both by Mills and cottages, and are exported with Indian wool, chiefly from Karachi. They are for the most part (though they vary greatly in quality) superior in quality to most Indian wools. The best Indian wools are those known as Bikaneres (coming from the State of that name and the adjoining country of the Punjab), and the Joria wools from Cutch and Western India. What we may call the typical plains wools of India are dry, hairy and short of staple and deteriorate in quality as we go East and South. They are suitable for the manufacture of coarse blankets and tweeds, and for carpet yarn. A good deal of the wool used in South India is tannery wool, *i.e.*, wool taken from the pelt of the dead animal. It is the cheapest of all Indian wools, and only used for mixing with other wool. Its price helps to bring down the general price level of South Indian wools. The estimated production* of Indian wool is from 90 to 100 million pounds and roughly half of this quantity is exported, largely it is believed for the manufacture of carpet yarns and coarse blankets.

Raw material.

11. The cottage industry grew out of these conditions. Throughout Bombay, Madras, the Central Provinces, Bihar and part of the United Provinces and part of the Punjab the woollen handloom industry is practically confined to the manufacture of a coarse blanket (the "kambli") usually made from unscoured wool and serving as a mackintosh as well as a blanket and travelling rug, and of rough pile carpets and druggets. In these tracts the growing of wool is really a profession subsidiary to agriculture. The sheep is primarily a producer of mutton and manure: and the woollen by-product provides the raw material for garments suitable for agricultural wear only. Only where a superior variety of wool is obtained, generally in some hilly tract where better grazing is obtainable, does one find a superior article, a better blanket and a finer tweed. This is true of parts of the Mysore State in the South of India, and more generally true of the Punjab, the United Provinces and Kashmir, which is the home of the famous *pashmina* fabrics. For a good many years now, except in Kashmir, the use of handspun yarn for the finer fabrics has become less and less, and the substitution of fine mill-spun crossbred and merino yarns has enabled the weavers to produce a cheaper article of very similar appearance and quality.

Cottage industry.

* See Appendix IV.

The rise of the Mill Industry.

12. The first woollen mills to be set up in India about 1876 were in the centre of the most important hand weaving districts of the North, *viz.*, Cawnpore and Dhariwal, and for many years handlooms were part of their equipment. Later on traders began to organize the cottage industry of carpet making in these Provinces, and some mills were set up at Amritsar and elsewhere whose chief function was to spin the carpet yarn. In these mills the manufacture of coarse cloths and blankets has really been subsidiary to their main purpose of producing yarn for the carpet looms. Shortly after the Cawnpore Mill was started a mill was opened at Bombay, already the home of a flourishing cotton textile industry, and another at Bangalore, the centre of an important cottage industry based on the abundant supply of local wools. The Bangalore mill restricted itself and still does almost entirely to the production of a cheap blanket made from the South Indian wool. The Bombay mill and the two mills of the Cawnpore Company from the first made use of the finer qualities of East Indian wools; later they added worsted departments and while continuing to use East Indian wools for worsted production began to cater for the demand from urban areas for a better quality of article by importing Australian wool which about this time began to fall in price, assisted by the Australian exchange.

Distinction between 'worsted' and 'woollen'.

13. It is important for the understanding of the problem before us that the distinction between what are known in the trade as 'worsteds' and 'woollens' should be clearly understood, and also the very marked difference in the qualities of 'crossbred' and 'Merino' types of wool. The history of the evolution of the modern types of wool is of great interest, but would be beyond the scope of this Report, and it will be sufficient for our present purpose to state that Australasia is the chief supplier of the world's demand for wool (particularly of the finest merino quality) but increasing quantities are being exported from South Africa and the Argentine and elsewhere. And broadly speaking her types of wool are divided into Crossbreds and Merinos. The essential difference between the types is the relative coarseness of the fibre. Merino wools are of finer fibre, give a much softer handle in the finished material and a larger yield of yarn. They can be spun, if necessary, into a very fine count and can alone be used for the very lightest textiles. Crossbred wools as a rule are not spun to counts finer than 36s. The system of counts employed in the industry is somewhat perplexing to a layman and the system followed in worsted yarns is not the same as that in woollen yarns.

Description of the processes.

14. The distribution between worsteds and woollens is not commonly understood by the general public, and some description of the processes is therefore necessary. The line of demarcation begins with the selection of the wools. In the worsted trade only wools with fibres of sufficient length to be combed can be used. In the manufacture of woollen yarn the shortest of fibres can be

made use of, and consequently the use of 'recovered' wool (wool fibres obtained by the breaking up of rags and commonly known as shoddy and munge), cotton and wastes, for blending with virgin wool, is confined to the woollen side of the industry.

15. From the selection of the wool the processes followed differ entirely, and consequently a worsted fabric differs essentially from a woollen material. The object in the woollen process of spinning from the carding onwards is to arrange the fibres of the material so that while the longer ones form the core of the yarn, shorter ones cross one another in all directions inextricably mixed with the core. This process facilitates the 'milling' or 'fulling' of the woven cloth to which all woollens are subjected. There is no combing of the wool; and wool of the shortest staple consequently can be used in this process. But combing would also make impossible the milling which enables that finish to be given to woollen fabrics which is their peculiarity. In the worsted process the combing arranges all the long fibres in a parallel position, and extracts the short fibres which are then known as 'noils' and are returned to the woollen mill for blending with other wool and possibly other materials. The combing machine delivers the combed wool in the form of a continuous sliver known as 'tops' ready to be spun into worsted yarn.

Processes followed after selection of wool.

16. Typical examples of woollen fabrics are blankets, tweeds, meltons, blazer cloth, flannels; and of worsteds shawls, serges, tropical suitings, muslins and most knitted goods. Counts of worsted yarn are estimated from the standard of 560 yards weighing one pound. A yarn of these dimensions would be known as 1s: and consequently a 32s yarn is one of which 32 × 560 yards, *viz.*, 17,920 yards weigh one pound. This is the English and Indian system. It is worth while noting that Japan and all Continental countries follow a metric system which gives for the same number of counts a slightly coarser yarn, so that to match, say, a 32s English yarn a 34s foreign yarn is required. Counts of woollen yarn are usually calculated on the basis of skeins, 16 yards being equal to 1 skein weighing one ounce. An 8 skeins yarn is therefore one of which 128 yards weigh one ounce.

Worsted and woollen yarns.

17. It will, it is hoped, now be understood from this brief description that most Indian wools are unsuited for the worsted process and that this side of the Indian industry is dependent in the main for its raw material on imported wool of Australian type. It is true that some of the frontier wools included in the term East Indian can be spun into worsted yarn. Indeed the mill-made shawl which was the chief produce of the worsted industry prior to the war was made almost entirely of East Indian wool from Persia and Afghanistan. And this wool continues to be used for the worsted yarn required for the hosiery goods supplied to certain Government departments. It is probable that some of the North Indian wools carefully

Most Indian wools not suited for worsted process.

selected can be used for mixing with imported Australian, but the amount of such wool suitable for this purpose is not very great, and the broad conclusion is we think true that the worsted trade is and must remain dependent on foreign supplies for its raw material. A note on the attempts which have been made to improve the quality of Indian wools will be found among the Appendices.* We need only refer here to our conclusion that the most that can be expected from such efforts is to raise the general level of quality to that of the Australian crossbreds; and it must be many years before the effect of a planned system unless on a very considerable scale could be seen in marketable supplies. The preparation of 'tops' is a specialized industry in the United Kingdom and it is often cheaper for the Indian mills to buy their supplies of foreign wool in the form of tops. A considerable portion of the import of raw wool consists therefore of 'tops', which are admitted free of duty.

Woollen and worsted industries in India.

18. The mills at Bangalore and Amritsar and the Maharani Mill at Baroda (closed since 1933) are woollen mills. The mill at Ambernath was a purely worsted mill. The four in Bombay, Cawnpore and Dhariwal are combined worsted and woollen mills. They depart in this respect from the practice of the United Kingdom and the Continent and Japan, where specialization of the various branches of the industry is followed. In the United Kingdom, for example, it is unusual for woollens and worsteds to be combined in the one mill: and top-making, dyeing and finishing, very generally, and sometimes spinning, are specialised industries.

Size of the industries.

19. Tables I and II give our rough estimates of the size of the woollen and worsted industries and their output (excluding hosiery). We regret that for reasons already recorded we cannot claim great accuracy for these figures. The statement merely records conditions as they exist to-day. With the capacity of the industry for expansion we shall deal in a later chapter. It will be seen that in extent and volume of output the handloom industry considering only the output of to-day greatly outweighs the mill industry.

* Appendix V.

TABLE I.—*Woollens : Present output.*

—	Number of Mills.	Employees.	Number of factories. Power.	Number of factories. Hand.	Spindles No	Looms No	Wool consumed. lbs	Production in pounds. Blankets and shawls.	Production in pounds. Piece-goods.	Production in pounds. Carpets.	Production in pounds. Shawls.	Remarks.
Cottages and small factories.	..	291,500	13	23 weaving 65 carpet making.	..	91,570 *plus* 5,766 carpet looms.	23,618,000	10,150,000 *Rugs and blankets*	5,015,000*	1,792,000	..	An indefinite number of looms in Kulu valley is excluded. *Of the total production we estimate that some 400,000 lbs. is equivalent to worsted.
Mills . .	7 Woollen only. 4 Mixed woollen and worsted.	5,770	..	.	41,389	1,595	13,566,000 (including tops).	3,951,000	1,043,000	..	..	2 mills are working irregularly; 1 is closed and in liquidation.

NOTE 1.—We have no statistics of the output of carpets in the factories of Amritsar and elsewhere. The total export of carpets from India amounted to 8,452,000 lbs. in 1933-34 and over 10,000,000 lbs. in 1934-35.

NOTE 2.—We have included all hand-made piecegoods as 'woollen'. A good deal of the output however is made from imported mill spun worsted yarns.

TABLE II.—*Worsteds : Present output.*

—	Number of Mills	Employees	Number of factories. Power.	Number of factories. Hand.	Spindles No.	Looms. No.	Wool consumed	Production in pounds. Blankets.	Production in pounds. Piece-goods.	Production in pounds. Carpets.	Production in pounds. Shawls.	Remarks.
Mills . .	4 Mixed (shown above). 1 spinning and weaving. 1 Worsted spinning only.	(included above).	..	..	33,636	(included above).	(included above).	..	272,000	..	656,000	1 mill closed and in liquidation.
Total .	13											

NOTE 1.—Since many of the looms are interchangeable, it has not been posible to distribute looms between the worsted and woollen branches.

NOTE 2.—The number of spindles and looms is gross, in use and not in use.

NOTE 3.—The output of carpets in large factories other than those included here must amount at least to the total exports 10,090,000 lbs. *less* 1,792,000 = 8,298,000 lbs.

CHAPTER III.

Recent History of the Mill Industry.

Foreign competition before and after the war.

20. Even before the war we hear complaints in provincial reports of the effect of Continental competition on the sale of products of the cottage industry. It is curious to read in a Punjab Manual of 1911 that the "hand weaver finds it increasingly difficult to compete with the cheap shoddy articles of Europe, which beguile the simple customers by their excellent feel and finish". This might have been written yesterday. But there is no evidence that the mills of that day were worrying about foreign competition; and in any case the war put an end to it, and gave an immense impetus to the whole Indian industry. All the mills and many handlooms were completely devoted during the war years to the provision of war supplies. And when the war ended there was much leeway to be made up in supplying the public demand, a demand however no longer to be satisfied with the older forms of Indian production.

Imports of woollen goods increased.

21. Most of the industrial countries of the world were now organized on a war basis, and after the reparation of the damage to France and Belgium, were better equipped than ever before, and anxious to obtain foreign markets in order to keep as much as possible of their plant in full working. The combined effect of these causes on the import of woollen goods is strikingly illustrated in Tables III to VII showing gross imports under various categories. There have been various changes of Customs classification during the period covered and in order to maintain comparative values we have had to combine certain reported figures. This is indicated in notes below the Tables. (Imports in 1920-21 were abnormally large owing to the sudden appreciation of the Rupee.)

TABLE III.—*Woollen yarn and knitting wool (in thousands of lbs.).*

—	1919-20.	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1922-32.	1933-34.	1934-35.
Woollen yarn and knitting wool.	94	320	413	530	694	883	1,038	1,040	1,229	1,080	..	..	..	..	..	..
Worsted yarn for weaving.	..	..	..	..	..	..	.	..	..	..	486	509	568	912	886	1,638
Knitting wool .	..	..	..	..	.	..	.	.	..	..	598	538	739	996	810	1,858
TOTAL .	94	320	413	530	694	883	1,038	1,040	1.229	1,080	1,084	1,107	1,307	1,908	1,696	3,496

NOTE.—In 1929-30 worsted yarn for weaving was separated from knitting wool. There is still no record of hosiery yarn as distinct from worsted weaving yarn.

TABLE IV.—*Blankets and rugs (in thousands of lbs.).*

—	1919-20.	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Blankets . .	..	272	62	122	585	938	1,448	1,421	1,588	..	..	..	..	..	..	..
Carpets and rugs .	528	483	291	304	378	624	1,381	1,894	3,121	..	..	..	..	..	..	..
Blankets and rugs other than floor rugs	..	.	..	..	..	..	..	..	..	5.471	4,833	3.667	2,411	4,177	5,120	6,665
Carpets and floor rugs.	..	..	..	..	..	..	..	..	..	348	604	176	267	188	135	161
TOTAL .	528	755	353	526	963	1,562	2,829	3,315	4,709	5,819	5,437	3,843	2,678	4,365	5,255	6,826

NOTE.—Until 1928 travelling rugs were classed with floor rugs, thereafter with blankets. It is necessary therefore for comparison to add together the imports of travelling rugs and blankets and those of carpets and floor rugs.

TABLE V.—*Piecegoods (in thousands).*

—	1919-20.	1920-21.	1921-22	1922-23	1923-24.	1924-25.	1925-26	1926-27	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Piecegoods . (Yds.)	3.377	11 007	1.952	3.364	7.553	11 871	14.576	15.425	18.777	15,985	12 561	7.719	5.516	13.947	11,536	10,516
Mixtures . „	..					.	..	.		..	..	..	.	.	..	3.219
TOTAL .	..	..								.	.	.	..	..	.	13,735
Other sorts . (lbs.)	263	268	190	211	192	212	187	226	158	186	310	184	225	395	379	2.355

NOTE.—The Customs returns do not distinguish between woollen and worsted piecegoods. From April 1934 " mixtures " have been separately recorded, and articles (other than blankets and rugs) made of " shoddy " shown under " other sorts " includes felt, canvas, waste wool waste cuttings and from 1934 " shoddy " goods.

TABLE VI.—*Shawls (Nos. in thousands).*

—	1919-20.	1920-21.	1921-22.	1922-23	1923-24	1924-25	1925-26	1926-27	1927-28.	1928-29.	1929-30	1930-31	1931-32.	1932-33.	1933-34.	1934-35.
Shawls . . .	19	16	44	111	212	420	570	979	1.039	937	658	392	164	338	332	416

NOTE.—Shawl cloth which is capable of being cut into shawls is shown under piecegoods.

TABLE VII.—*Hosiery (in thousands of lbs.).*

—	1919-20.	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26	1926-27	1927-28	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Hosiery . . .	92	325	62	122	178	270	370	360	431	420	410	221	157	266	281	409

Several mills started after the war.

22. The capitalists of India, and of Bombay in particular, did not fail to notice the opportunity provided by the increase in the public demand. At the time of the war the important mills in existence were the Dhariwal and Cawnpore Mills and the Bombay Woollen Mill, manufacturing both woollen and worsted goods, and the Bangalore Woollen Mill making only coarse blankets. Between 1919 to 1921, a period of continued optimism, three new companies were floated in Bombay, and mills opened in or in the neighbourhood of that city, namely, the Indian Woollen Mill, the Wadia Woollen Mill and the Dharamsi Morarji Mill, and we have reason to suppose, were over-capitalised. About the same time the Kaisar-i-Hind Mill started work in Bangalore, the Maharani Mill in Baroda and the Oriental Carpet Factory in Amritsar. The total capital invested reached the total of nearly 2 crores. In all some 13,000 additional woollen and 20,000 additional worsted spindles were installed, raising the total number of spindles in India from perhaps 42,000 (no exact statistics are available) to about 74,500; and the capital invested in the mill industry rose from some Rs. 50 lakhs to about Rs. 240 lakhs.

Effect on the mill industry.

23. A prevailing influence at the time was the prospect of getting Government contracts and a starved market had been readily absorbing all that could be provided. But imports were increasing rapidly, (greatly encouraged by the phenomenal rise in the value of the rupee in 1920-21), surplus war stores were on the market and the Indian mills while multiplying their own production by three were at the same time failing to improve the quality of their production, possibly hampered in this by the increasing competition. By 1924-25 the market was satiated, general prices were falling, and the competition for Government contracts brought these prices also down. The "Army blanket" (for which there is no foreign competition) which in 1923 cost Rs. 7-8 was given out to contract in 1925 at Rs. 4-10, a much heavier fall than was justified by the general level of import prices. Heavy stocks and forced sales brought down the prices of many articles in demand in the market (in spite of a fall in raw material prices) below the cost of manufacture. The Wadia Mill went into liquidation in 1925 and the Dharamsey Mill in 1928. The Indian Woollen Mills were forced in 1925 into amalgamation with cotton mills working under the same managing agency, and have written off capital amounting to some Rs. 32 lakhs. The old established Bombay Woollen Mill after struggling till 1929 failed to recover from a disastrous fire and was forced to close down. The Maharani Woollen Mill went into liquidation in 1933.

Causes of the present situation.

24. Such has been the course of events in Bombay. It is difficult to disentangle the adverse influence of these causes from the effects of foreign competition. We do not doubt that the two combined have gravely handicapped the industry throughout India. The Wadia Woollen Mill reopened in 1925 as the

Raymond Mill, financed by Messrs. E. D. Sassoon and Company. Neither the Raymond Mill nor the Indian Woollen Mill succeeded in showing a profit on a year's working until 1934 when the Indian Woollen Mill for the first time showed a small profit following on the reconstruction of the capital of the Broacha Cotton Mills Company. It might be thought that the relief from the pressure of internal competition afforded by the closing down of a number of mills might have enabled the remainder to recover themselves. But the coming of the great depression in 1929 while it greatly curtailed the volume of imports during the next two or three years had an equally disastrous effect on the demand for Indian goods, and the fall in the purchasing power of the public is still in evidence. The Italians with their shoddy blankets and tweeds, and the Japanese with their cheap merino yarns and worsted piecegoods were more ready than others to place on the market something within the reach of the poor man's purse. The average price per pound of an Italian rug in 1927-28 was about Re. 1-8: in 1934-35 it was about 13 annas. The average price of piecegoods of all classes (woollen and worsted) in 1927-28 was about Re. 1-12 per yard. The price of Japanese piecegoods in 1933-34 averaged 12 annas and in 1934-35 Re. 1-1-6. These two factors are largely responsible for the present situation of the woollen industry in India. For a while France more than held her own with her cheaper worsted piecegoods and in 1932-33 reached her maximum figure, but subsequently her own exchange difficulties coupled with the increased duties of 1931 and 1934 put her out of the running.

Competition from Japan.

25. The woollen industry of Japan was later in development than some of the other industries in that country. For some years before the depression of 1929 they had sent considerable quantities of piecegoods to India; but the trade was spasmodic, and we are informed that it differed in character from the present trade in that the imports were essentially of Japanese and not of European type. It is reported that the use of woollen goods in Japan has been growing year by year, and that in the years 1930 and 1931 there was a striking increase in the production for the home market, helped by a heavy import duty. Like most other Japanese industries the woollen industry is organized for the export trade, and though Japan continued to import woollen piecegoods of certain finer qualities on a considerable scale (notably from the United Kingdom) by the year 1932 its surplus production had to find an outlet. Whether by design or coincidence the depreciation of the Yen exchange enabled the industry to flood the Indian market with goods, much of them of a first class quality, at prices far below the current Indian market levels. We have no evidence that the prices have been generally lower than those of the Japanese domestic market. But in view of the immense variety of the production comparison is very difficult and we have been given a few specific instances in which the price of the finished article was no greater than the current price of the wool content. But Japan in 1932 had still the advantage of large quantities of wool pur-

chased before the Yen depreciated. She has lost this advantage of exchange in her purchases of raw material; and there is some tendency to-day for Japanese prices to rise. An advantage which Japan has over all other competitors is her capacity to produce articles comparable in quality of lighter weight, and it is this capacity which in hosiery at any rate has helped her to overcome the difficulty of a specific duty based on weight.

Growth of Japanese trade.

26. The following Table illustrates the growth of the Japanese trade, the figures being in round thousands:—

TABLE VIII.

—		1931-32.	1932-33.	1933-34.	1934-35.
Yarn and Knitting Wool.					
Total imports	lbs.	1,307	1,908	1,696	3,496
Japanese imports	"	4	237	789	2,508
Piecegoods.					
Total imports	yds.	5,516	13,947	11,536	13,735
Japanese imports	"	121	1,413	2,090	7,268
Shawls.					
Total imports	No.	164	338	332	416
Japanese imports	"	2	58	106	245
Hosiery.					
Total imports	lbs.	157	266	281	409
Japanese imports	"	17	150	170	269

We have received many complaints about the Japanese methods of trading, a common complaint relating to the constant reduction of prices quoted for the same goods: and the virtual forcing of additional consignments on a dealer by the risk of letting a competitor obtain them at lower prices. This is one reason given for excessive stocks of Japanese goods. A feature of the Japanese competition to-day is the skill with which goods which have obtained a hold in the Indian market (whether of Indian or United Kingdom or other make) are copied, and supplied at greatly reduced prices. We have reason to believe that Japanese goods of this type are commonly sold by dealers as being Indian or British as the case may be.

27. In the following Tables we show the recent course of the Italian trade in shoddy materials. It seems likely that to some extent the increase in the year 1934-35 both of Japanese and Italian imports has been influenced by the expectation of enhanced duties following on the present enquiry, and that the position of the market to-day may be largely " over bought ". It should be noted that from April 1934 when shoddy materials were exempted from the minimum specific duty on piecegoods, 'shoddy' has been taken from the customs classification of piecegoods and shown under " other sorts "; and that from the same date mixtures have been classified separately from other piecegoods. This reclassification has deceived some superficial observers. There is no direct statistical evidence that the import of shoddy materials or of mixtures has greatly increased. It is, however, generally believed by traders that there has been some increase in the import of shoddy piecegoods, and this is supported on *primâ facie* grounds, and by the increase of imports from Poland.

Italian trade in shoddy material.

TABLE IX.—*Imports of Blankets and Rugs (figures in thousands of pounds).*

—	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Blankets	938	1,448	1,421	1 588	.	..	..	..	..	..	..
Carpets and rugs	624	1,381	1,894	3 121	..	..	..	..	..	..	..
Blankets and rugs other than floor rugs	..	..	..	.	5,471	4,833	3,657	2,411	4,177	5,120	6,665
Carpets and floor rugs	..	..		.	348	604	176	267	188	135	161
Total imports from all countries	1,562	2,829	3,315	4,709	5,819	5,437	3,843	2 678	4,365	5,255	6,826
Imports from Italy											
Blankets	15	77	172	524	.	..	..	..	..	..	..
Carpets and rugs	212	708	1,351	2,509	..	.	..	..	..	..	..
Blankets and rugs other than floor rugs	..	..	..	..	3,957	4,160	3,336	1,990	3,782	4,895	5 981
Carpets and floor rugs	..	..	..	..	14	356	12	9	1	3	..
Total imports from Italy	227	785	1,523	3,033	3,971	4,516	3,348	1,999	3,783	4,898	5,981

TABLE X.—*Imports of Piecegoods (in thousands of yards).*

—	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Piecegoods	11,871	14,576	15,425	18,777	15,985	12,561	7,719	5,516	13,947	11,536	10,516
Mixtures	..	..	..	..	..	..	..	..	..	..	3,219
Total imports of piecegoods from all countries.	11,871	14,576	15,425	18,777	15,985	12,561	7,719	5,516	13,947	11,536	13,735
Imports from Italy.											
Piecegoods	1,678	2,854	3.575	3,372	2,655	2,129	2,017	1,386	3,608	2,123	193
Mixtures	..	..	..	..	..	..	..	..	..	..	447
Total imports of piecegoods from Italy	1,678	2,854	3,575	3,372	2,655	2,129	2,017	1,386	3,608	2,123	640

TABLE XI.—*Imports of "Other Sorts" (in thousands of pounds).*

—	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Total imports from all countries	212	187	226	158	186	310	184	225	395	379	2,355
Imports from Italy	10	30	17	3	6	52	24	1	3	·5	1,098

There is no indication here that Italy has been able to take advantage of the exclusion of shoddy from the specific duty to flood the market with the shoddy goods. (Poland appears to be the only country that has attempted to do so.)

Imports from various countries.

28. We have drawn special attention to the competition of Italy and Japan because these are the two countries (except possibly Poland) from which the industry as a whole chiefly fears competition so long as the revenue duties remain at their present rates. The chaos of the world exchanges however has had such incalculable effects on the competition from other countries that we think it would be unsafe to accept this view as conclusive. In Tables XII to XVII we give the course of imports in the various categories of the chief importing countries.

TABLE XII.—*Yarn.*

N.B.—Until 1929-30 woollen yarns and knitting wools were combined in the Custom Statistics.

(1) *Imports of Wool Yarn and Knitting Wool.*

—	1919-20.		1920-21.		1921-22.		1922-23.		1923-24.	
	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	69·2	3·98	204·4	11·07	273·2	9·35	212·8	6·61	386·8	9·29
Germany	..	..	57·9	6·74	124·0	8·03	275·4	16·31	265·2	12·68
France	..	..	5·3	·53	7·3	·45	8·9	·44	5·5	·13
China (exclusive of Hongkong and Macao).	..	..	..	..	..	..	..	..	..	..
Japan	24·7	1·93	23·8	2·13	·9	·10	..	..	..	..
Other countries	·4	·03	11·1	4·26	7·2	·26	32·7	1·77	36·4	1·26
TOTAL	94·3	5·94	302·5	24·73	412·6	18·79	529·8	25·13	693·9	23·36

—	1924-25.		1925-26.		1926-27.		1927-28.		1928-29.	
	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	523·8	12·88	475·6	11·93	568·3	11·75	578·5	11·41	493·2	10·16
Germany	303·8	15·68	401·3	18·22	307·0	12·20	419·1	15·76	415·6	15·96
France	39·1	1·16	71·9	1·98	77·5	1·55	115·2	2·92	39·9	1·10
China (exclusive of Hongkong and Macao).	·7	·06	25·1	1·91	..	..	..	..	65·2	3·89
Japan	..	..	1·2	·08	1·7	·08	3·7	·06	..	..
Other countries	15·5	·56	62·6	2·45	85·5	2·57	82·7	3·81	66·5	3·11
TOTAL	882·9	30·34	1,037·7	36·57	1,040·0	28·24	1,229·2	33·96	1,080·4	34·22

TABLE XII.—*Yarn*—contd.

(2) *Imports of Worsted Yarn for weaving.*

—	1929-30		1930-31		1931-32		1932-33		1933-34.		1934-35.	
	Lbs (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	309·5	5·39	195·0	2·98	152·0	1·92	160·4	2·19	300·5	2·92	227·5	2·84
Poland	66·9	2·08	210·3	4·45	253·6	3·96	314·2	5·91	78·1	1·59	27·7	·36
Germany	60·4	2·15	81·4	2·15	114·0	2·42	79·9	1·68	15·2	·26	. .	. .
Belgium	10·6	·20	16·5	·26	1·7	·03	16·0	·30	3·3	·04	. .	. .
France	37·5	·81	63·3	1·10	45·2	·68	244·7	3·88	21·6	·28	. .	. .
Czechoslovakia . . .	. .	. .	. .	. .	. .	. .	14·2	·32	.	. .	. .	. .
Japan	. .	. .	. .	. .	. .		50·0	·82	465·4	7·04	1,349·9	24·99
Other countries . . .	1·5	·06	2·4	·09	1·1	·03	2·6	·03	2·4	·05	33·3	·61
TOTAL .	486·4	10·69	568·9	11·03	567·6	9·04	912·0	15·13	886·5	12·18	1,638·4	28·80

(3) *Imports of Knitting Wool.*

—	1929-30.		1930-31		1931-32.		1932-33.		1933-34.		1934-35.	
	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	178·8	4·03	157·8	3·27	199·1	3·44	344·3	6·15	421·3	7·28	619·4	10·31
Germany	386·1	14·11	286·8	9·34	272·1	6·50	180·7	4·55	37·4	·89	. .	. .
France	14·7	·41	53·1	·88	164·1	2·31	190·8	2·83	3·5	·07	. .	. .
Japan	·2	·004	. .	. .	3·6	·09	187·5	2·75	324·5	4·80	1,157·7	20·07
Other countries . . .	18·6	·64	40·3	·85	100·3	1·74	92·5	1·69	23·3	·40	81·0	1·22
TOTAL .	598·4	19·19	538·0	14·34	739·2	14·08	995·8	17·97	810·0	13·44	1,858·1	31·60

TABLE XIII.—*Blankets and Rugs.*

(1) *Imports of Blankets.*

—	1924-25.		1925-26.		1926-27.		1927-28.	
	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	804·7	5·33	860·3	6·29	539·8	4·33	266·2	27·3
Germany	55·0	·64	356·5	2·53	563·1	3·30	643·3	3·53
France	32·0	·37	75·5	·53	98·0	·60	35·9	·31
Italy	14·8	·23	76·9	1·56	172·4	2·28	524·3	7·99
Japan	..	..	..	..	..	..	12·9	·17
Other countries	31·7	·40	79·2	·81	47·8	·42	105·0	1·11
TOTAL	938·2	6·97	1,448·4	11·72	1,421·1	10·93	1,587·6	15·84

(2) *Imports of Blankets and Rugs other than Floor Rugs.*

—	1928-29.		1929-30.		1930-31.		1931-32.		1932-33.		1933-34.		1934-35.	
	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	279·0	4·20	141·1	2·07	66·6	1·28	59·0	·86	59·0	·88	87·2	1·07	..	..
Germany	842·4	5·55	310·1	2·34	182·6	1·20	273·5	1·40	217·7	·98	74·0	·34	..	..
France	296·7	1·71	114·3	·77	41·9	·27	67·5	·35	39·3	·17	23·5	·10	..	..
Italy	3,956·9	51·31	4,160·1	44·88	3,336·1	33·34	1,990·0	15·92	3,781·7	31·40	4,895·5	37·96	5,981·1	49·94
Japan	..	..	..	..	..	..	..	..	13·1	·15	33·8	·44	..	..
Other countries	95·9	1·00	107·6	1·00	40·2	·42	21·4	·22	66·3	·39	6·0	·11	634·0	5·05
TOTAL	5,470·9	63·77	4,833·2	51·06	3,667·4	36·51	2,411·4	18·75	4,177·1	33·97	5,120·0	40·02	6,665·1	54·99

TABLE XIII.—*Blankets and Rugs*—contd.

(3) *Imports of Carpets and Rugs.*

—	1924-25.		1925-26.		1926-27.		1927-28.	
	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	335·9	9·80	485·0	13·43	330·0	10·77	291·0	8·72
Germany	11·8	·41	59·1	1·17	63·0	2·07	76·3	1·95
Italy	212·0	4·14	707·8	11·47	1,350·7	21·82	2,508·6	34·66
Iran	34·7	1·07	67·0	2·09	99·0	2·82	107·3	2·63
Other countries	29·3	·99	62·2	1·62	51·8	1·14	137·5	2·71
TOTAL	623·7	16·41	1,381·1	29·78	1,894·5	38·62	3,120·7	50·67

(4) *Imports of Carpets and Floor Rugs.*

—	1928-29.		1929-30.		1930-31.		1931-32.		1932-33.		1933-34.		1934-35.	
	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	209·2	6·06	134·2	3·42	76·7	2·42	75·6	2·00	81·3	1·77	75·4	1·52	105·0	2·37
Germany	11·7	·37	12·4	·39	2·3	·05	1·5	·04	·3	·03	·4	·01	..	..
Italy	13·6	·28	355·7	3·70	12·2	·11	9·3	·07	1·5	·02	3·0	·04	..	..
Iran	71·5	1·76	61·8	1·53	55·8	1·12	145·9	2·07	78·0	·80	14·4	·18	9·5	·15
Other countries	42·[illegible]	1·05	39·5	·87	29·3	·81	34·7	·98	26·7	1·40	41·8	·60	4[illegible]·1	·90
TOTAL	348·3	9·52	603·6	9·91	176·3	4·51	267·0	5·16	187·8	4·02	135·0	2·35	160·6	3·42

TABLE XIV.—*Piecegoods.*

(1) *Imports of Piecegoods from 1925-26 to 1933-34.*

—	1925-26.		1926-27.		1927-28.		1928-29.		1929-30.	
	Yds. (thds.)	Rs. (lakhs)	Yds. (thds).	Rs. (lakhs)	Yds. (thds.)	Rs. (lakhs)	Yds. (thds.)	Rs. (lakhs)	Yds. (thds.)	Rs. (lakhs)
United Kingdom	5,281·6	150·26	5,982·6	142·52	7,125·3	162·16	5,469·8	121·70	3,732·3	90·80
France	1,902·4	33·67	2,237·1	36·85	4,417·3	60·60	4,439·2	61·53	3,952·4	60·09
Italy	2,853·9	33·81	3,575·2	35·37	3,371·7	37·00	2,655·2	31·05	2,129·4	29·81
Germany	978·4	23·76	1,393·1	29·92	1,574·4	35·94	1,705·3	38·39	1,151·5	24·64
Poland	..	..	·9	·04	1·0	·02	8·3	·23	30·4	·75
Japan	2,061·4	19·91	1,230·4	9·98	1,414·0	10·82	325·6	2·52	711·5	4·80
Other countries	1,497·9	30·76	1,005·7	22·76	873·1	21·94	1,382·0	28·61	853·4	22·33
TOTAL	14,575·6	292·17	15,425·0	277·44	18,776·8	328·48	15,985·4	284·03	12,560·9	233·22

—	1930-31.		1931-32.		1932-33.		1933-34.	
	Yds. (thds.)	Rs. (lakhs)	Yds. (thds.)	Rs. (lakhs)	Yds. (thds.)	Rs. (lakhs)	Yds. (thds.)	Rs. (lakhs)
United Kingdom	2,040·4	47·70	1,311·9	24·78	2,798·7	52·48	3,181·4	57·44
France	2,066·4	24·01	2,036·2	16·10	4,561·9	34·30	2,742·9	17·43
Italy	2,017·0	25·31	1,385·8	15·16	3,607·7	42·14	2,123·4	22·62
Germany	490·7	8·16	254·6	4·15	461·9	8·76	399·1	6·48
Poland	26·2	·35	..	..	179·1	2·03	295·8	3·26
Japan	568·0	2·92	121·4	·72	1,412·7	7·78	2,090·4	15·47
Other countries	510·7	11·41	405·7	7·84	924·8	13·63	702·9	7·57
TOTAL	7,719·4	119·86	5,515·6	68·75	13,946·8	161·12	11,535·9	130·27

TABLE XIV.—*Piecegoods*—contd.

(2) *Imports of Piecegoods, Mixtures and "Other sorts" during 1934-35.*

—	Piecegoods.						Mixtures.		Other sorts.	
	Quantity in		Average weight per yard.	Value.	Average value per yard.	Average value per lb.				
	Yds. (thds.)	Lbs. (thds.)	Ozs.	Rs. (lakhs)	Rs.	Rs.	Yds. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	2,077·7	1,480·3	11·39	46·54	2·24	3·13	2,125·6	29·46	219·6	1·21
Germany	432·3	211·2	7·81	7·64	1·77	3·62	58·3	1·00	186·3	1·46
Netherlands	25·4	19·4	12·19	·65	2·18	3·37	..	..	..	..
Belgium	22·5	15·6	11·08	·50	2·21	3·20	45·1	·67	..	..
France	662·6	173·3	4·18	4·23	·64	2·44	..	..	..	..
Italy	192·9	127·2	10·55	3·53	1·83	2·77	447·1	3·73	1,365·4	13·39
Poland	..	..	..	..	..	..	..	..	573·0	4·04
Japan	6,858·7	2,669·8	6·23	73·06	1·06	2·73	409·7	4·97	1·9	·04
Other countries	243·0	91·3	..	3·67	..	..	132·8	1·92	8·4	·07
TOTAL	10,516·1	4,788·1	7·28	1,39·82	1·33	2·92	3,218·6	41·75	2,354·6	20·21

TABLE XV.—"*Other sorts.*"

Imports of "Other sorts" from 1925-26 to 1933-34.

—	1925-26.		1926-27.		1927-28.		1928-29.		1929-30.		1930-31.		1931-32		1932-33.		1933-34.	
	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs (thds.)	Rs (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom	113·5	1·69	125·7	1·78	89·8	1·42	144·1	1·48	151·4	2·90	99·9	1·06	192·0	1·82	342·4	3·33	320·8	3·3[illegible]
Germany	41·2	·77	31·2	·63	57·8	·70	31·1	·59	46·1	·78	27·4	·41	16·2	·22	9·1	·17	20·4	·26
Italy	29·9	·54	16·9	·28	3·5	·11	6·4	·30	52·5	·57	24·0	·29	1·0	·02	3·4	·05	·5	·01
Czechoslovakia	..	..	..	..	1·6	·05	1·0	·02	5·4	·13	3·3	·04	4·6	·06	5·5	·07	·3	·01
Japan	·8	·07	45·5	·38	..	..	·3	·01	·4	·04	2·2	·03	2·5	·10	·1	·01	6·5	·06
United States of America.	·9	·02	..	..	1·9	·06	2·8	·02	47·4	·26	25·1	·14	5·1	·04	23·7	·16	11·7	·07
Other countries	·3	·02	6·5	·20	3·8	·15	·1	·01	7·1	·17	2·3	·06	3·8	·06	11·2	·15	18·5	·19
TOTAL	186·6	3·11	225·8	3·27	158·4	2·49	185·8	2·43	310·3	4·85	184·2	2·03	225·2	2·32	395·4	3·94	378·7	3·99

TABLE XVI.—*Shawls.*

Imports of Shawls from 1925-26 to 1934-35.

—	1925-26.		1926-27.		1927-28.		1928-29.		1929-30.		1930-31.		1931-32.		1932-33.		1933-34.		1934-35.	
	No. (tds)	Rs. (lks.)	No. (tds.)	Rs. (lks.)	No. (tds.)	Rs. (lks.)	No. (tds.)	Rs. (lks.)	No. (tds.)	Rs (lks.)	No. (tds.)	Rs. (lks.)	No. (tds)	Rs. (lks)	No. (tds.)	Rs. (lks.)	No. (tds)	Rs. (lks.)	No. (tds.)	Rs. (lks.)
United Kingdom	171·1	8·02	172·8	6·66	175·5	6·47	110·9	4·20	73·1	2·75	14·1	·75	2·5	·12	10·9	·37	8·9	·24	1·8	·05
Germany	234·3	15·44	360·8	18·37	480·1	22·92	366·4	22·95	290·2	16·34	223·5	9·56	113·7	4·93	186·4	7·90	171·5	7·50	143·4	6·74
France	21·5	·51	36·1	1·81	39·9	1·38	61·4	2·21	88·0	3·09	23·1	·60	4·0	·08	22·9	·68	8·9	·21	..	..
Italy	118·6	3·23	358·3	8·83	320·4	6·37	365·7	7·78	186·4	3·91	129·9	3·12	40·6	·75	56·5	1·20	35·2	·35	..	..
Japan	2·4	·07	30·3	·29	·2	·01	11·0	·13	·1	·01	..	..	2·5	·03	58·3	·58	106·5	1·14	234·9	5·17
Other countries	22·3	1·23	21·2	1·02	72·8	1·64	21·2	·59	20·5	·82	1·8	·10	·6	·03	3·3	·11	·6	·08	26·9	
TOTAL	570·2	28·50	979·5	36·98	1,088·9	39·29	936·6	37·86	658·3	26·92	392·4	14·13	163·0	5·94	338·3	10·84	331·6	9·48	416·0	11·06

TABLE XVII.—*Hosiery.*

Imports of Hosiery from 1925-26 to 1934-35.

—	1925-26.		1926-27.		1927-28.		1928-29.		1929-30.		1930-31.		1931-32.		1932-33.		1933-34.		1934-35.	
	lbs. (thds.)	Rs. (lakhs)	lbs. (thds)	Rs (lakhs)	lbs. (thds.)	Rs. (lakhs)	lbs. (thds.)	Rs. (lakhs)	lbs. (thds.)	Rs. (lakhs)	lbs. (thds)	Rs. (lakhs)	lbs. (thds.)	Rs. (lakhs)	lbs. (thds.)	Rs. (lakhs)	lbs. (thds.)	Rs. (lakhs)	lbs. (thds.)	Rs. (lakhs)
United Kingdom	343·3	19·32	322·2	16·98	377·9	17·50	367·6	17·35	338·3	16·62	170·1	7·77	124·7	5·58	107·2	4·58	108·9	4·64	133·5	5·49
Hongkong	·5	·02	3·9	·14	4·4	·21	11·0	·35	9·9	·38	9·5	·38	3·2	·06	5·2	·17	·5	·01	..	..
Germany	11·0	·67	7·5	·52	14·2	·85	16·3	1·04	20·7	1·07	16·2	·68	6·9	·25	1·4	·05	..	..	..	..
Switzerland	4·3	·28	·7	·06	12·3	·74	1·2	·09	1·6	·12	·5	·03	·1	·01	·1	·01	·7	·04	..	..
Italy	·6	·02	17·9	·33	7·0	·37	2·4	·11	2·0	·07	·3	·02	1·0	·05	·1	·004	·8	·02	..	..
Japan	7·1	·43	4·1	·24	4·0	·18	5·7	·21	8·1	·28	12·6	·23	17·3	·56	150·2	2·06	170·0	4·10	269·3	6·66
Other countries	3·3	·34	3·4	·20	11·4	·66	15·9	·91	29·0	1·50	11·6	·61	4·2	·18	1·6	·04	·2	·01	6·0	·10
TOTAL	370·1	21·08	359·7	18·47	431·2	20·51	420·1	20·06	409·6	20·04	220·8	9·72	157·4	6·69	265·8	6·92	281·1	8·82	408·8	12·25

29. A study of these Tables reveals the following facts in regard to other countries:—

Import trade—(1) Yarn.

That Poland began to compete powerfully in 1930-31 in the Indian import market for weaving yarn, chiefly at the expense of the United Kingdom. In 1933-34 her place was taken by Japan. In knitting wool Germany has been the chief supplier but has not recovered from the slump of 1929. Helped chiefly by exchange, the United Kingdom has made increasing progress since 1932, but not so great as Japan who now supplies 82 per cent. of the demand.

(2) Blankets, etc.

While Italy has gone steadily forward except for the set-back in 1931-32 the United Kingdom has gone steadily back. Germany, who had been the next largest supplier, again failed from 1929-30 onwards.

(3) Piecegoods.

In this section France has recently been the chief competitor in the Indian market, with Italy a powerful second, and Germany falling away. France, aided by the regeneration of her industry after the war, and for a while by a favourable exchange, by 1929 was providing the largest share of the imports In spite of the adverse change in the exchange position she more than maintained her position until 1932 (perhaps helped in this by the loss of the European markets). Since then increasing difficulties in exchange and heavier duties have hindered her trade, and in 1934-35 her trade in shawl cloth had practically disappeared. The figures of 1934-35 show that in existing circumstances she cannot compete against the United Kingdom and Japan. While the United Kingdom had an average of 86 per cent. of the import market in the years following the war, by 1925-26 its share had fallen to 36 per cent. (though its gross imports had not fallen) through the increase of trade with France, Italy and Germany. It seems clear that the higher level of prices of the United Kingdom is a serious handicap to them in world competition. In 1929 France topped the percentages with 31 per cent., United Kingdom having 29 per cent. From 1932 aided by the Ottawa Preference and by comparative exchange facilities, the United Kingdom has begun a recovery in the volume of her trade, though her percentage remains 29, Japan having 52. The average values are of interest in throwing some light on the nature of the imported piecegoods but in the absence of a distribution into woollens and worsteds it is not possible to draw any definite conclusions. The United Kingdom statistics show that not less than 66 per cent. of the imports from the United Kingdom are woollens: it seems probable that the larger share of Italian goods are also woollens, while the larger proportion of those from France are probably of the worsted class, as are almost all those from Japan. The average price of the French imports (which the figures of 1934-35 show are light fabrics) shows a remarkable fall between 1930 and 1932 in spite of the

appreciation of the sterling-rupee exchange, and seems to indicate a larger proportion of light weight imports, made in an attempt to meet the demand for cheapness. Since 1925-26 the average value of Italian imports has kept nearly constant at about Re. 1·1 a yard: the French has fallen from Re. 1·7 to 10 annas a yard; while the United Kingdom which was Rs. 2·8 in 1925-26 was Re. 1·8 in 1933-34 and Rs. 2·2 in 1934-35. The average of Japanese prices was Re. ·7 in 1933-34 and Re. 1 in 1934-35.

(4) Other sorts.

" Other sorts " for 1934-35 compared with the piecegoods figures for previous years show that Poland is exporting more shoddy goods than ever before.

(5) Shawls.

The market for shawls has been very largely shared between Germany, Italy and the United Kingdom. By 1930 the United Kingdom had fallen out of the race. By 1933-34 Germany only could compete with Japan whose merino shawls to-day have over 50 per cent. of the market. German imports are now very largely of an article embroidered with artificial silk. It should be noted that a very large proportion of the shawl trade has been classed under ' Piece-goods ', the shawl cloth being made up into shawls in India. It is this trade (of crossbred wool) which was largely in the hands of France whose process of spinning enables her to use a single warp, not possible under the Indian system, and thus cheapen her product. Exchange difficulties coupled with the specific duty of 1934 have now nearly excluded her from this market.

(6) Hosiery.

The United Kingdom had over 75 per cent. of the import market until the coming of Japan in 1932, though the volume of her imports had greatly decreased owing partly to the progress of the Indian industry. It will be noted that while the average value of the United Kingdom goods remains fairly constant at Rs. 4 a pound, the Japanese imports average Re. 1·3 in 1932-33 and Rs. 2·4 in 1933-34. To-day Japan sends 65 per cent. of the total imports, which have increased in volume to the pre-depression figure.

Exports.

30. Apart from its raw wool and carpets, the exports of woollen goods from India have never been of importance. The Sea Customs Returns show that apart from a special export of piecegoods to the United States of America in 1932-33 the average for the last 9 years has not exceeded 10,000 yards. " Other sorts " have amounted to an average of 288,000 lbs. These include blankets, namdahs and hosiery. The total exports of woollen goods of all kinds by land amounted in 1933-34 to 214,400 lbs. The average for 8 years was 127,000 lbs. The exports of raw wool and carpets are given in the Tables below. Exports of carpets to the United Kingdom have increased since 1930-31 from 2,718,000 lbs. to 6,709,000 lbs. and reflect the benefit to this industry of the preference given by the Ottawa Agreement.

TABLE XVIII.—*Exports of Raw Wool.*

—	1925-26.		1926-27.		1927-28.		1928-29.		1929-30.	
	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)
United Kingdom	37,700·4	336·59	40,567·9	359·67	43,847·0	381·28	45,555·0	394·05	40,094·8	352·28
Germany	42·1	·33	97·5	·20	95·1	·70	359·8	1·92	166·2	1·57
Belgium	35·5	·31	288·8	2·21	756·8	6·20	1,909·0	16·66	795·6	7·37
France	575·5	6·02	202·9	1·37	146·7	1·18	418·3	3·30	363·6	1·86
Italy	8·8	·03	4·7	·04	67·1	·60	33·5	·25	56·3	·45
United States of America	4,926·2	35·50	3,575·8	20·36	5,247·3	46·04	8,114·0	72·18	8,793·4	77·78
Other countries	121·3	1·10	54·1	·29	605·9	·03	34·5	·18	96·6	·91
TOTAL	43,409·8	379·88	44,791·7	393·14	50,765·9	436·03	56,424·1	488·54	50,366·5	442·22

—	1930-31.		1931-32.		1932-33.		1933-34		1934-35.	
	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)
United Kingdom	26,669·3	227·35	35,340·4	249·54	27,831·1	92·80	43,421·3	145·82	25,685·1	92·19
Germany	317·8	2·46	248·8	1·42	316·0	1·24	531·7	2·26	..	..
Belgium	976·8	6·22	496·3	2·32	1,096·4	4·70	2,748·6	11·50	1,340·7	5·74
France	114·7	1·02	249·0	1·29	449·7	1·90	947·9	3·56	..	..
Italy	91·2	·49	14·9	·09	18·7	·06	135·9	·55	..	..
United States of America	2,286·1	13·76	4,866·3	22·30	2,490·5	9·04	7,609·1	32·79	5,580·1	24·71
Other countries	26·5	·14	49·5	·29	46·4	·20	494·0	2·00	1,469·3	4·86
TOTAL	30,482·4	251·44	41,265·2	277·25	32,248·8	109·93	55,888·5	198·48	34,075·2	127·50

TABLE XIX.—*Exports of Carpets and Rugs.*

—	1925-26.		1926-27.		1927-28.		1928-29.		1929-30.	
	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)
United Kingdom	2,113·0	43·73	2,133·9	37·20	3,151·6	47·86	2,886·4	46·17	2,603·3	38·25
Ceylon	481·1	1·95	467·8	2 71	385·1	2·00	367·0	1·91	419·3	2·00
Straits Settlements (including Labuan)	29·3	·31	30·9	·32	19·4	·28	22·3	·22	25·0	·25
Natal	26 8	·04	52 9	·65	34·8	·52	32·1	·55	19·0	·30
Canada	30·9	·79	25·7	·77	48·8	1·50	61·7	1·60	60·1	2·22
Australian Commonwealth	35·5	·85	69 8	1·31	89·8	1·56	57·4	·99	104·2	1·53
New Zealand	12·0	·17	7·8	·12	10 9	·17	13·3	·16	12·9	·19
Java	109·7	·94	90 5	·81	104·1	1·17	92·8	92	115·1	1·11
Egypt	·3	·01	5·6	·28	38·4	·85	27·7	·57	21·8	·30
United States of America	907·1	25·84	869 7	25·75	1,156·2	34·04	1,500·7	38·69	1,127·3	36·03
Argentine Republic	11·8	·15	30 2	·43	14·2	·21	33·4	·59	33·0	·51
Other countries	118 1	3·19	61 0	1 23	75·9	1·68	70·1	1·85	94·7	2·33
TOTAL	3,875·0	77·97	3,845 8	71·59	5,129·2	91·84	5,164·9	94 22	4,635·7	85·02

—	1930-31.		1931-32.		1932-33.		1933-34.		1934-35.	
	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)	Lbs. (thousands)	Rs. (lakhs)
United Kingdom	2,718·8	38 29	3,537·2	40 62	4,283·4	44·62	6,709·5	56·49	8,234·7	73·91
Ceylon	339·2	1·48	443·4	1·77	467·8	1·97	519·1	1·90	511·7	1·56
Straits Settlements (including Labuan)	8 9	·09	20·0	·14	19·1	·48	30·5	·36	..	..
Natal	16 5	·19	19 1	·19	4·2	·05	..		..	..
Canada	92·1	2 95	44·9	1·17	54·8	1·11	167·4	2·88	..	..
Australian Commonwealth	19·3	32	17 7	·20	65 7	·73	53·4	·55	100·7	·96
New Zealand	12·0	·20	7·3	·09	9·3	·13	7·3	·07	..	..
Java	109·1	1·06	74·4	·70	80·8	·74	108·3	·86	..	..
Egypt	1·8	·03	·4	·01	4·1	·10	·3	·03	..	..
United States of America	840 2	20·92	553·7	10·87	927·9	12·70	775·2	8·49	858·4	7·82
Argentine Republic	18·6	·38	..	..	..	..	·6	·01	..	..
Other countries	55·0	1·13	48 7	·96	46·2	·87	74·8	1·03	387·9	1·56
TOTAL	4,231 5	67·04	4,766·8	56·72	5,963·3	63·50	8,452·4	72·67	10,093·4	89·81

Fluctuations in international exchanges.

31. It is not easy to extricate the effect of the bewildering fluctuations in international exchanges since the war. Different countries have recovered from the effects of the war at different paces, and have overcome exchange difficulties at various times with varying success. The following is a broad summary of the sequence of events. In 1920-21 the value of the rupee rose to an unprecedented height: and the imports from all the competing countries rose correspondingly. Its fall in the following year had the opposite effect on all countries except Germany. In this year the general rates of Customs duty was raised from $7\frac{1}{2}$ to 11 per cent. and in 1922-23 was increased to 15 per cent. The recovery of the rupee in the next two years, coupled with a continued depreciation in most Continental countries again assisted imports from all countries but Belgium. In 1925 Sterling was again linked to gold, and in 1926 the rupee exchange was fixed at eighteen pence. The franc in terms of the Sterling-rupee exchange depreciated. Imports from the United Kingdom, Germany and the Netherlands fell: other countries made progress. In 1926 and 1927 the franc appreciated and then remained steady, the lira depreciated and was stabilized, and Japan fixed the Yen to gold. In these and the following years Japanese imports fell, and Belgian also; other countries made some progress particularly France and the United Kingdom.

Forecasting of course of international trade not possible.

32. In 1929-30 the first year of the depression only Italy and Japan increased their imports, but in the following two years the depression affected all imports. In 1930-31 the general rate of Customs duty was raised from 15 to 20 per cent., and in 1931-32 the duties were again raised by a 25 per cent. surcharge. 1932-33 was the year of the Ottawa Agreement and duties were again raised against Continental imports. The United Kingdom and Japan were off the gold standard; and the currency of the gold standard countries thereby comparatively appreciated. In spite of this the French and Italian imports rose more highly than those of any other country. In 1933-34 the United States of America went off the gold standard. While the United Kingdom and Japan, both assisted by the depreciation of their exchanges, continued to progress, French imports fell off. Italy was down in piecegoods but heavily up in rugs. In 1934-35 the specific duty was imposed. Countries on the gold standard have found it increasingly difficult to compete against the handicap of their exchange but Italy has successfully maintained her piecegoods trade, and greatly increased her importation of rugs by the extended use of shoddy material. We have thought it advisable to give this somewhat lengthy summary because it shows conclusively how impossible it is to forecast the course of international trade in view of the great influence of the uncertain factor of currency exchanges.

33. There is a curious lack of unanimity among the parties interested (perhaps due to their ignoring the effect of the exchanges) as to the effect of the increases in the revenue duties in protecting the Indian industry. The joint representation admitted "some slight relief" in regard to hosiery and pure woollen piecegoods: other mills and most of the hosiery manufacturers themselves claim that they have been unaffected in any way; and some of the handloom weavers regard the specific duty as having been their salvation. We think the truth will be found somewhere within these extremes. The "absolutely no effect" school are thinking solely of the Italian and Japanese competition. It is a fact that the imports from these countries have continued to come in increasing quantities in spite of the barriers. In both countries there seems reason to believe that exports receive special encouragement from the State. In other instances it is not possible to disentangle the effect of exchange difficulties, high duties and Japanese competition. Certainly French imports of piecegoods fell from over 4 million yards in 1932-33 to 662 thousand yards in 1934-35. We point out elsewhere that the Indian mills have now little competition in the medium quality (crossbred) of shawls and shawl cloth.* At the same time the finer handloom products of Upper India, particularly shawls and saris, made chiefly of imported merino yarns received very direct encouragement. These goods have now a good sale throughout the chief markets of India.

Lack of unanimity as to the effect on Indian industry of increase in revenue duties.

34. We do not know the reasons which prompted the fixing of the specific duty at Re. 1-2 a pound. The effect on piecegoods, it may be noted, is to fix the point of balance at which the specific duty and the *ad valorem* duty are equal at about Rs. 3-3-6 per yard of 16 ozs. (or Re. 1-10 per yard of 8 ozs.). Cloth weighing less than this at the same comparative price per yard will escape the specific duty. We have no statistics of the weight of piecegoods from the different countries (excepting the United Kingdom) until the year 1934-35 [see Table XIV (2)]. It would appear from the average prices recorded in this Table that the specific duty has been effective against some of the imports from France, Italy and Japan. We know that the duty on a length of French shawl cloth, $2\frac{1}{2}$ yards weighing 12 ozs. and priced (c.i.f.) at Re. 1-6 amounted to 61 per cent. The fall in the average weight of French piecegoods in this year to 4 ozs. is remarkable, and seems to show that French imports still consist chiefly of shawl cloth and similar very light fabrics.

Effect of specific duty on piecegoods.

* Since this was written Japanese competition has started in these qualities.

The average weight and the average price of the piecegoods of the important countries are as follows:—

TABLE XX.

	Weight. (oz.)	Value per yard.	Value per lb.
		Rs.	Rs.
Germany	7·81	1·77	3·62
France	4·18	·64	2·44
Italy	10·55	1·83	2·77
Japan	6·23	1·06	2·73

The figures would indicate that though much of the light superior goods may escape the specific duty, on much of the cheaper varieties the incidence of the specific duty cannot be less than Germany 31 per cent., France 50 per cent., Italy 40 per cent. and Japan 40 per cent.

The statistics of weight per yard take no account of varying widths of material: and this is one reason for the apparent excessive lightness of the goods of these countries from which comes a large proportion of shirtings and similar narrow materials.

CHAPTER IV.

The problem before the industry.

Some further explanation required of the Industry's present condition.

35. We have dealt thus far chiefly with what we may call the quantitative aspects of the problem. We have seen that since the war the market demand for imported woollens has expanded enormously though it has never reached the figures of the three years previous to the war, when the average imports of piecegoods alone amounted to 23 million pounds. Imports of piecegoods have risen from an average of about $5\frac{1}{2}$ million (in the early years after the war) to 11·5 million yards; blankets and rugs from an average of about 600,000 lbs. to some 6 million pounds; the demand for shawls and hosiery goods has trebled. But it is also to be noted that the total consumption of foreign goods to-day is still less than it was in the years 1927-28 and 1928-29 when piecegoods reached the total of 18,776,000 lbs. Up to that period the Mill industry claims that it was in a "fairly satisfactory" condition. We have some reason for doubting this assertion in view of the history of the Bombay mills round about the period 1923—27, and the great and constant increase in the volume of imports, but we may take the assertion to mean that about the year 1928 the industry had reason to suppose that it could hold its own. This being so, we must look for some further explanation of the condition of the Indian industry to-day.

Italian rugs and Japanese merino fabrics.

36. The result of the conditions we have sketched in Chapter III was that by 1927 foreign goods were reaching the furthest Indian markets. By 1927-28 the blanket weavers of the mufassil were again beginning to complain of Italian competition, but shortly afterwards came the disastrous fall in agricultural prices. In the next three years imports (except of yarns) fell in volume to about one-third of their maximum figure, and Indian production, so far as we have evidence to guide us, fell in similar proportion. What was it that so quickly resuscitated a moribund demand for foreign goods in spite of reduced purchasing power? It was essentially the cheapness and attractiveness of the Italian rug and the wide range of Japanese fabrics of fine merino quality, often copies of Indian, British and Continental models, put on the market at prices much below those of other foreign goods and the cost of production of the Indian mills of articles approximately similar.

Indian manufacturers unable to compete with foreign worsted articles.

37. We use the term "approximately similar" advisedly, for we are satisfied that the Indian mill (with the possible exception in some instances of the Cawnpore and Dhariwal Mills who have withheld their confidence* from us) are at present unable generally to produce *worsted* fabrics equal

in quality to the best of those of Japan, of the Continent and the United Kingdom. We see no reason why with continued experience they should not do so, and already we have seen samples which approach the best in quality. At present it remains generally a fact that the Indian manufacturer cannot ordinarily produce articles equal in structure and finish to the best foreign article of pure worsted. On the woollen side more general progress has been made. With the question of mixtures we shall have to deal presently.

Manufacture of woollen articles from shoddy—a branch of woollen industry.

38. The mention of Italian rugs and melton cloth (both of which are almost invariably made of shoddy material, generally with a proportion of virgin wool and sometimes mixed with cotton) brings us to the vexed question whether articles intended for the same purpose but made of different material can really compete with one another. We may say at once that we do not accept the contention which induced the Government of India in 1930 to refuse the application of the industry for protection, namely that the protective duty would be imposed upon an article different in kind from and essentially inferior to that sought to be protected. We see no justification for the narrow definition of the woollen industry which this contention involves. The manufacture of mixtures of wool with cotton and other fibres is so far as we know a part of the woollen industry of most countries of the world; and is a response to a very definite public demand. That hitherto the Industry has not (for whatever reason) taken to the manufacture of mixtures does not, we think, alter this essential fact. In the same way we consider that the manufacture of 'woollen' articles from shoddy is equally a branch of the woollen industry. 'Shoddy' may be and generally is entirely wool, and though the re-spinning of wool recovered from rags is a specialised branch of manufacture it can only be carried out on machinery intended for the manufacture of wool. It is moreover impossible to estimate with exactness the proportion of shoddy in a blend of virgin wool and recovered wool. This being so, we do not consider that the manufacture of shoddy articles can be treated as a distinct industry.

Competition from articles of shoddy.

39. We regard it as extravagant to hold, as many of the opponents of protection do, that there is no competition between articles of virgin wool and articles of shoddy. The chief protagonists of this argument—the Marwari Chamber of Commerce, Calcutta—go so far as to say that " it can be asserted without fear of contradiction that Indian blankets are wholly immune from competition; it is simply ridiculous to suggest that articles of shoddy or of mixed materials are competing with pure Indian articles. The intrinsic differences..............are as poles asunder ". We feel ourselves under the necessity of saying, without in any way prejudging at this stage the question of protection, that to argue

thus is to shut one's eyes to facts. In a sense if the public or a section of it prefers to wear cotton rather than wool, when wool would be a suitable garb, cotton competes with wool. We do not suggest that wool should therefore be protected from cotton. But shoddy looks like other wool and generally consists only of wool, and because it is still wool of a superior kind manufacturers are able to make it up into a soft and attractively finished article which is preferred by the possibly ignorant buyer to an article made of an inferior virgin wool which cannot be made to look so attractive. Surely it cannot be said that the shoddy article does not 'compete' with the other. In many instances the purchaser prefers the superficial qualities to warmth and durability: but often even the dealer is unable to detect the shoddiness until experience discloses it. Mixtures are not quite analogous; but with mixtures also we hold that where mixtures can be substituted for an article of pure wool, as they are at what we might call the margin of demand (where price is the prevailing factor) there is direct competition. When price is not the main consideration it may be held that the competition is not direct, for choice based on other considerations enters into the question. It may become of importance therefore to define a woollen mixture as something which can pass as a woollen fabric, and can serve the same purpose.

Their cheapness and finish preferred.

40. That is theory. The facts, as they have been given to us by evidence from most parts of India, are that the shoddy rug is ousting the Indian made blanket and rug from the market; and that shoddy cloth is being substituted for handmade tweeds, and from its cheapness and superior finish preventing the sale of Indian mill made cloths of the same type made from virgin wool. This is what we understand by competition.

Underlying the argument which we have attempted to refute is the idea that the Indian article being made of virgin wool and therefore warmer, stronger and more lasting than the shoddy article, is 'intrinsically' superior, and should therefore have no difficulty in holding its own in its own market. The answer to this is that there are other 'intrinsic' qualities than strength and durability and warmth. It is a fact which we cannot deny that in the lower grades of the market the buyer prefers the foreign article. The reasons for this appear to be firstly that it is cheap, secondly that it is soft and pleasing both to the eye and the touch and thirdly that in some parts of India warmth is not a prime consideration. The poorest buyer will prefer something which involves the lowest immediate outlay, even if he knows (which is not usually the fact) that the article is less durable; and even when this consideration is absent many buyers obviously prefers the soft and comfortable finish and the pleasant appearance of the foreign rug to the harsh and often less attractive article which is generally offered in competition.

41. There is another side to the problem. We have given some figures of the extent and importance of the handloom industry and shall deal in greater detail with this in a later Chapter. At the present stage of our national development the cottage industry is no whit less important than the Mill industry. The handloom industry is undoubtedly feeling the effect of competition from foreign woollens. This is partly direct and partly indirect. Throughout the whole of India local weavers produce a kambli made from local wools. The peasant cultivator wants something to keep out the rain. The kambli with its unscoured wool generally sized with tamarind paste admirably performs this duty. There will be a local market for it, though a restricted one, for as long as we can foresee. Even the price of the kambli has been affected by the general level of prices of foreign rugs. But where waterproofing is not a chief consideration, in urban areas and in drier tracts, the local product is meeting with increasing competition both from Indian mills and from the foreign rug; from the mills because as they are driven from the better market they have been turning more and more to the production of the cheapest blankets made from the cheapest Indian wools, and from the foreign rug because it has become increasingly more popular than the better products of the handloom in urban areas. A sample census taken in two towns of Mysore gave the following very interesting results:—

Handloom *Kamblis* facing increasing competition both from cheapest local mill blankets and from foreign rugs.

TABLE XXI.

—	Houses.	Population.	Kamblis.	Mill made rugs.	Foreign rugs.	Total rugs.
Bangalore .	35	218	100	134	28	262
Chik Magalur .	112	680	148	264	211	623

42. Apart from blankets North India produces on its handlooms two types of fabrics, tweeds and coatings made from handspun yarn, and shawls, saris and similar goods made partly from handspun yarn, but more often to-day from mill spun yarn, almost invariably foreign. The former type meets with competition both from the Indian mills and from the 'shoddy' goods to which we have already referred. The latter type is to-day dependent (except in Kashmir) on the import of a cheap worsted yarn and it would appear that it has like the hosiery industry no hope of salvation but in the preservation of this supply. With this supply and the reduction of Continental competition from various causes, it has recently made headway. So far as the handloom industry continues to provide a purely

Cheap worsted yarn necessary for some types of cottage industry products.

handspun and handwoven indigenous article there will always be a certain sentimental demand for it. This can be regarded as a luxury trade, and the demand cannot touch the bulk of the cottage industry. That part of it which uses handspun yarn is dependent for its very existence on improving its quality.

Preservation of the handloom industry.

43. The provincial Governments believe that protection only can preserve the handloom industry. But what we have said about the Mill industry must apply *mutatis mutandis* to the handloom products; that protection alone cannot preserve a market when that market is demanding a better class of goods. It will be necessary to consider what can be done to enable the cottage weavers to obtain a better finish. Any improvement in the quality of Indian wools will also be a step in this direction but this must necessarily be a slow and lengthy process. And the problem still remains of the supply of worsted yarn. Will the Mills be in a position to replace the cheap foreign supplies of yarn, or to compete with one another under reasonable protection so that the level of prices may not be substantially raised? Under present conditions they have been unable to supply more than a small fraction of the demand and the proportion to the Japanese volume of imports is getting smaller.

CHAPTER V.

The claim for protection examined.

Attitude of the British India Corporation.

44. Before we pass on to the claim of the Industry to protection it is incumbent on us to examine the effect upon this claim of the abstention from the enquiry of the firm that controls the two largest woollen mills in India, the Cawnpore Woollen Mills and the New Egerton Woollen Mills at Dhariwal. The British India Corporation did not reply to the communiqué issued by the Tariff Board calling upon all firms and persons interested to state their case to the Board. The Mill questionnaire was sent to them as to other mills and in answer to it the document (included among the Evidence) was handed in, with a covering letter regretting that the Corporation found it necessary in the interests of their shareholders to refuse to divulge any statistics of costs or output. The documents in question express sympathy with the application of other mills for protection, but assert that they themselves do not require additional protection except against Italy and Japan. This attitude was confirmed by the oral evidence of the representative who was permitted to give evidence before us. It will be clear to every one that the bare assertion of an industry cannot be accepted as evidence of the need of protection. Otherwise the work of the Tariff Board would be a sinecure. The Corporation must therefore know perfectly well that their refusal to divulge the statistics which are necessary for the examination by the Tariff Board of the claim of the rest of the Industry to protection, can only be interpreted in one way, *viz.*, that they themselves do not require protection. The bare assertion that they cannot compete against Italy and Japan in certain classes of goods would, if they were the only people affected, be ignored. If the interests of the shareholders require the suppression of information which the Tariff Board has always regarded as essential for the determination of a claim to protection, then the interests of the shareholders obviously do not require protection.

Their capacity for production.

45. It has been necessary to estimate their relative importance in the total production of the Industry from the number of spindles and looms which they have supplied to us. The estimates reveal that between them the capacity of the two mills on the woollen side compared with the rest of the mills is in the proportion of about 20 to 21 and we believe that this approximately represents the proportion of actual output. On the worsted side the ratio of spindle capacity is as 4 to 11, and accepting their statement that they are working to about 50 per cent. of capacity, the current output must be at least equal to that of the other working mills.

46. In these circumstances, *viz.*, that the output of the mills abstaining from the application for protection is not less than that of the whole of the rest of the Mill Industry, we realize that there would be some justification for rejecting the application forthwith. We were, however, so impressed with the rapid inroads which are being made by Japan into the Indian markets that we thought it necessary to complete our examination of the case so far as we were able in the absence of complete statistics, and we arrive at certain conclusions which we shall proceed to set out in detail, which lead us to recommend the imposition of a form of protection in spite of the disabilities under which we have acted.

Attitude might justify rejection of application for protection.

47. We propose for the purpose of the discussion in this Chapter to treat the woollen and worsted sides of the industry as if they were separate industries. There are, we believe, sufficient indications in what we have already written of the reasons for this procedure. Briefly they are these. The original indigenous industry was woollen. The raw material available in the country is suitable for woollens only. The whole of the cottage industry with the exception of that part of it in the Punjab and the United Provinces which uses mill-spun worsted yarn (and with the possible exception also of the finer products of Kashmir which though handspun may be said to be of worsted type) is devoted to woollens. And the products of the two branches of the industry are sufficiently distinguishable to give rise to no difficulty in regard to discrimination by the Customs Department.

Woollen and worsted sides separately treated.

THE WOOLLEN BRANCH.

48. We shall deal with the woollen industry first. We believe that the evidence we have received from all parts of the country of the effect of the competition from Italy (and to a less extent from Poland) is sufficient to justify us in holding the case to be proved and in accepting as corroboratory the statement of the Cawnpore Mills that it is against this competition only that they cannot hold their own. We consider that it would be unfair to the rest of the mills, and to the wide-spread and important cottage industry, to allow the action of the Cawnpore Mills to influence our recommendations.

Effect of competition from Italy.

49. The instructions of Government under which our enquiry is being conducted require us to consider whether the conditions laid down in paragraph 97 of the report of the Fiscal Commission are satisfied. The first condition requires that the industry should possess sufficient natural advantages in respect of materials, labour, power and the existence of a home market. The object of this condition is to ensure as far as possible that no industry is protected which will become a permanent burden on the community.

First condition of the Fiscal Commission.

50. We need have no difficulty in holding that the woollen section of the industry has natural advantages in respect of raw material. It is true, as the opponents of the application point out, that Indian wool is of inferior quality and that it must if the industry is to compete in the better qualities of fabric either be improved or supplemented by better qualities. But it is also true that out of approximately 37 million pounds of wool estimated to be consumed by this side of the industry at least 30 millions are Indian wool and almost all the balance is East Indian wool of better quality most of which finds its natural outlet in India. There is abundant material of the same quality at present exported and available for expansion. We think, therefore, that on the woollen side this part of the condition is satisfied. In respect of other materials required for manufacture the industry is in exactly the same position as the cotton textile industry. And the same remark applies to the supply of power. The mill industry is under no disability in regard to power.

Raw material.

51. We have no reason to suppose that the Mill industry in general is out of date in its type of machinery. We have been informed that no major changes have been made in wool manufacturing machinery since 1920 though there have been minor improvements leading to somewhat greater output and efficiency. We can take this to mean that no changes have taken place which would render any considerable part of the Mills' equipment obsolete. Certain mills have kept themselves well up to date by the purchase of new machinery; in others a great deal is undoubtedly old and ready for replacement as soon as conditions permit. But with some exceptions what we have seen has been kept in a condition of efficiency.

Machinery and technical equipment.

52. In respect of labour there is undoubtedly a supply of unskilled and also of the semi-skilled accustomed to some form of hand spinning and weaving. But the fact that the units of the Industry are far scattered makes it difficult to get back trained labour, when once it is parted with. This is a difficulty that can only be overcome by increasing output. We have received no reliable evidence directly bearing on the relative efficiency of labour in India and in the competing countries in respect of the woollen industry in particular. The question was examined at some length in the report on the Cotton Textile Industry and we think the conclusions there arrived at apply equally to this industry. The relative inefficiency of the Indian workmen in finer work is undoubtedly due chiefly to the lack of experience, and this follows from the fact that there is not enough work for the mills to keep their workmen fully employed throughout the year. The Indian demand is seasonal and at present few mills are able so to arrange their output as to spread it over the year and keep their people continually employed. This is one cause of the intense competition for Government contracts.

Labour.

Conditions of labour.

53. Conditions of labour call for little comment. Welfare departments exist in all the larger mills, and where the situation requires it adequate housing accommodation has been provided. Wages are highest in Bombay where a weaver can earn as much as Rs. 2 a day, and a spinner Re. 1-6; and lowest in Bangalore where the corresponding wages are from Re. 1 to Re. 1-4 and from 10 to 11 annas, respectively. We have no information about the Lalimli Mills where piecework wages are general.

Efficiency of labour.

54. It is represented that a larger share of the market will directly result in increased experience and efficiency. Apart from this relative inefficiency Indian labour charges represented as a percentage of the manufacturing costs, are definitely lower than in England being about 38 per cent. of the total manufacturing costs. Of elsewhere we are unable to speak with authority. So far as the level of wages goes, we know that in Japan, where the labour in textile mills is chiefly female, a cotton weaver's average wage is about 8 annas a day, and that of a spinner nearly 9 annas a day. These are a good deal less than the wages paid in India for similar work. We are informed by those mill managers who have given evidence that a high proportion of the labour reaches the efficiency standards fixed by them for weaving, but the standard itself is a good deal lower than that of the United Kingdom and Continental countries. In estimating the economies which should be possible during a period of protection we have counted on a definite rise in efficiency which will result in increased yields of yarn from wool and increased output per loom and spindle in a unit of time. We do not therefore regard the existing disability as one which should debar the Indian industry from claiming protection.

Markets.

55. The extent of the market in India for woollen goods available for the expansion of the indigenous industry can only be gauged by the volume of imports. The demand for woollens in India is strictly seasonal, owing to climatic reasons. Sales do not ordinarily take place except during the 3 or 4 months at the beginning of the cold weather. As we have pointed out, since the Indian Mills have no export trade, their production for the open market is reduced to the period necessary to fulfil these seasonal orders, and in present circumstances there is risk in making to stock. It has therefore been of the utmost importance to secure Government contracts which may enable them to keep their works open and some at any rate of their employees occupied. The result has been undoubtedly in some cases that Government has obtained its supplies below the cost of production. The representation that has been received through the Millowners' Association claims that against their estimated production to-day of 5 million pounds of blankets and rugs, the Indian mill looms are capable of a production of 15 million pounds. Since the average imports of blankets and rugs may be estimated at some 6 million pounds, it might appear that even under prohibitive tariffs there would be grave over-production.

But the case is overstated, for it assumes that all the looms would be engaged in the production of the lowest class of rugs. We can reduce the average output on this account alone to, say, 10 or 11 millions of pounds, and part of the output also will be tweeds and other woollen fabrics. In the absence of trade statistics of the import of woollen as distinct from worsted piecegoods, we can only guess the volume of imports. The woollen imports from the United Kingdom as compared with worsted are in the proportion of 2 to 1. Taking the general proportion at 50 per cent. of the total (which is probably a fair estimate) the average imports of woollen piecegoods including mixtures (for the last three years) may be put at 6·5 million yards which is possibly the equivalent of 5 million pounds. Against the total average imports, then, of some 11 million pounds of woollen fabrics (including rugs), the at present unemployed capacity of the Indian mills may amount to some 6 millions.

Internal competition.

56. This computation does not reveal a very extensive market at present prices, and it takes no account of the reduced production of the cottage industry, and of the reduced demand for woollen goods which must probably follow the substitution of a more durable article for the shoddy imports, higher prices and the competition of hosiery. The market for woollen goods is, we think, limited, but there are signs that it is capable of expansion. It will be seen that there exists a considerable home market, and a larger share of this will, we think, enable the industry to prosper. But so long as the present organization of the industry exists there remains the possibility of an internal competition between the Mills themselves and the Cottage industry which reasonable protection cannot prevent. We shall consider later in the report the effect of this on the Cottage industry. This factor should at any rate serve to ensure a level of prices which should prevent the industry becoming a burden on the community.

Government purchases.

57. It must also be remembered that purchases on behalf of the Government of India and local Governments and Railways are of great importance, and form a market in which there is no competition from abroad except to a diminishing extent from the United Kingdom. But it cannot be pretended that this market is large enough to support more than a (small) proportion of the industry. We give in a statement* an approximate estimate of the purchases of Government and Railways in India, so far as we have been able to reduce the information supplied to a common denominator. The existence of a Stores Purchasing Department of the Government of India has undoubtedly been of much help during recent troublous years. The specifications required for certain Government stores (particularly of the Army Department) have sometimes been such that they could only be fulfilled by the old established specialised firms of the United Kingdom. But the difficulty is gradually

* Appendix VI.

being overcome, and to-day there are few woollen goods which are not being obtained from Indian sources. The price concession which can under the Stores Purchasing Rules be given to Indian goods has undoubtedly been of assistance. It is no reflection on the administration of the Department that internal competition (made all the keener by the pressure of foreign competition in other lines) has sometimes beaten prices down to an unremunerative level.

Second condition of the Fiscal Commission.

58. The second condition of the Fiscal Commission is that the industry must be one which without the help of protection is not likely to develop at all, or is not likely to develop so rapidly as is desirable in the interests of the country. It was admitted by the Fiscal Commission that it was impossible to lay down the stage of development at which protection should be applied, and it was admitted that though this condition would normally apply to an infant industry, an industry might stand in need of protection as a result of some temporary deterioration or atrophy. We conceive that the present conditions of the woollen industry are of the kind that the Fiscal Commission had in mind.

Depression and foreign competition.

59. The conditions of to-day may not be due entirely to causes beyond the control of the industry, but the fact remains that if it is in the interests of the country that the industry should be preserved from complete decay, then the industry can claim that it comes within the terms of this condition. On the woollen side at least, we have the evidence of most of the units of the mill industry, and the evidence is supported by that given by local Governments on behalf of the cottage industry. We have satisfied ourselves by the detailed examination of the costings of the mills which have given evidence and by the critical selection of what we think can be considered as reasonably efficient working costs, that Mills cannot compete on level terms with the cheap importations of shoddy rugs and cloth from Italy, Japan and Poland. To a less extent the same statement must probably be applied to the former imports of France and Belgium, now, perhaps temporarily, in eclipse. But of this it is not possible to give evidence to-day. Our assertion is supported by the statement, taken for what it is worth, of the Cawnpore Mills, that they can hold their own against foreign competition except from Italy and Japan. None of the Mills we have examined, it may be noted, has made a profit for the last three years, save after a re-construction of its capital. A prime cause of the present state of affairs is of course the great depression which began in 1929, and the present tidal wave of competition has caught the industry at a time when it was least able to withstand the shock.

Third condition of the Fiscal Commission.

60. The third condition prescribes that the industry will be able to face competition eventually without protection. The fact that the industry has in the past under what may be regarded as more normal conditions been able to hold its own, is *primâ facie* evidence

that it will be able to do so again. The chief factor that militates against reduction of costs at present is the smallness of output. Increased output will reduce the overhead costs of the unit of production, by giving continuous working it will increase the efficiency of the workmen, which in itself will lead to a greater volume of output per unit of machinery. These are the main economies which the industry itself relies on to reduce its costs of production. We ourselves would add—

(1) that there is room for reduction in Stores consumption;

(2) that in the past there has been excessive capitalisation, and consequently heavy capital charges in some of the mills. This has been generally written down and in this respect we believe that the Mill industry, speaking generally, is in a much sounder position than it was;

(3) that some improvement in sales organisation should be possible.

Chaos of international trade.

61. We believe that with these economies effected the industry should under more normal conditions of trade be in a position to recover enough of the woollen market from Italy and any other Continental country to enable it to hold its own. But we think it would be unfair to lay too much stress on this condition in the chaos to which international trade has been brought by currency manipulations and artificial encouragement of exports and restriction of imports. It is impossible to foresee what may take place even within a year or two, and we shall content ourselves with recommending that a re-examination of the conditions of trade be made within a short period.

Importance of the industry.

62. There is much disagreement among commercial associations in India on the question whether the industry satisfies the conditions of the Fiscal Commission. There is equal disagreement as to the national importance of the industry. The views of the trading communities are naturally coloured by the interests of the community itself. It is inevitable that protection of an industry should be paid for by the consuming public and to some extent by the traders who cater for their wants. The claims of the industry must be nicely balanced against the interests of the other side, and of the country as a whole. There is no doubt of the greatness of the service rendered to the army by the woollen industry during the war when the entire industry was requisitioned for war purposes, but whether this would substantiate a claim to be considered as "essential to national defence or special military importance" is beyond our competence to decide. Nor can the industry from the number of its employees, nor the volume of capital invested in it claim to be a very important item in the list of great industries. It cannot be called a key industry in the sense in which that term has been employed by the Fiscal Commission until it can prove its capacity to supply subsidiary industries with

yarn. But there is an industry of considerable importance to the country, namely, sheep-rearing which is in a special degree dependent on it for disposal of the produce.

63. But we do not think that the claim for protection need be based on any of these considerations. On the ordinary economic grounds laid down in the Fiscal Commission's conditions we think the claim to be protected can be established. From this point of view if protection is needed to sustain this link in the industrialisation of the country, and can be given without excessive cost to the consumer, we consider that it should be given. There is, moreover, in existence a widespread cottage industry, of considerable importance, in some areas of vital importance to the well being of the people, and this itself is in danger, and can be assisted so far as we can see only by some form of protection against excessive foreign competition.

Claim to protection can be established on economic grounds.

64. Our general conclusion then is that the woollen section of the industry has established its claim to be protected. The real cost to the consumer cannot be computed with any exactness. But we shall attempt to show in percentages the level at which protective duties should be calculated, and to prove that during the period of protection the costs of production should materially decrease. As things are to-day, with most other competitors practically eliminated, and with the revenue duties as high as they are, it is clear that the industry stands in need of protection only against the shoddy articles of Italy and Poland, though there is always the fear of an extension of Japanese activity in this sphere and further exchange manœuvres may bring other countries into the picture. We agree with the view of the mills that by the substituting of a more durable article for the shoddy rug and melton cloth the consumer would not in fact be deprived of a really cheaper article, in spite of the fact that the cash price more conveniently fits into the domestic budget of the poorer classes, owing to the prevailing fall in their purchasing power. And on the other side of the picture is the safeguarding of the handloom weavers, some 400,000 of whom are finding their livelihood threatened.

Woollen section has established its claim to be protected.

The Worsted Branch.

65. We justified the division of the industry into two parts—woollen and worsted—on the grounds that we had more widespread evidence regarding conditions in the woollen mills, that this side of the industry uses to a greater extent a raw material grown in the country and that the cottage industry is predominently woollen. It is moreover practicable to deal with either branch of the industry separately by means of tariffs or other protective measures. But it cannot be denied that the distinction is somewhat obscured by the organization of the joint

Position of the worsted branch of the industry.

industry in India. To some extent the two sides of the industry in the mills are mutually dependent, looms are interchangeable, certain establishments are joint, and it has been difficult in practice to determine the exact costings of the two halves of an individual mill.

First condition of the Fiscal Commission.

66. One of the main factors of the first condition laid down by the Fiscal Commission, *viz.*, the existence of an abundant supply of raw material is not fully satisfied by the worsted branch of the industry. It has already been pointed out that the raw material for worsted manufacture can be obtained to a limited extent from East Indian wools, and hardly at all from Indian wools, and then only in the crossbred qualities. It is certain that for as long a period as we can foresee, worsted manufacture will be mainly dependent on foreign supplies for its raw material. We are not disposed to stress unduly the failure to meet this condition, for the worsted industry of all the chief competing countries is in exactly the same position and the ancient worsted industry of India has been forced by the competition of a better wool to go abroad for its supplies. India in fact is exchanging its surplus of inferior carpet wools for superior qualities. The relative extent of the worsted industry to-day can be gauged from the comparative figures given in Chapter II. The woollen side is at present undoubtedly the most important but the worsted has probably the greater capacity for expansion particularly in light mixtures. Hosiery also may be counted for the most part as a branch of the worsted industry. The output to-day is estimated at about 363,000 yards of piecegoods and 525,000 shawls. The imports amount to about 6·8 million yards of piecegoods including mixtures (at 50 per cent. of the total) and shawls to 416,000. The capacity of the Indian industry may be put at about 972,000 yards worsted piecegoods and 1,750,000 shawls (averaging about $2\frac{3}{4}$ yards each) including the mills at present closed, and excluding hosiery.

Second condition.

67. The second and third conditions can only be discussed in the light of the actual facts of production, and the question at issue is: Can the Indian Industry produce goods comparable with those imported, and, if not, have we any reasonable expectation that they will be able to do so? On the woollen side we have come to the conclusion that the mills are already able to produce an article superior in durability to the Italian, and we have reason to suppose that shortly they will be able to compete in finish and attractiveness not only (except in the lowest classes) with the Italian shoddy but with the medium qualities from other countries, without great cost to the consumer. On the worsted side, we have not found the same complete evidence of capacity to meet the demand for superior as well as medium qualities. But we think our history of the trade since the war explains the causes of this backwardness of part of the industry, and we shall show that in our opinion it relates only to part of the industry.

68. We will take the Mill industry first. A worsted industry has existed for many years. We pointed out in Chapter III its beginnings. It was until the war almost confined to the manufacture of shawls from the better East Indian wools, though we believe that a certain amount of other worsted cloth was made in the Lalimli Mills from imported wools. Shawl manufacture has always been the Indian industry, par excellence, and the Mills carried on the tradition. The war put an end to it in its old form. The East Indian worsted was of an inferior type and it passed away like other things in the world with the demand for something better. There is no prospect of its revival. From 1919 onwards all mill-made shawls were of imported wool. This manufacture (from imported crossbred wool) has been the great stand-by of the Indian worsted mills and as we have already pointed out, it has to-day for various reasons been able to re-establish itself. In merino qualities the mills cannot compete with the Japanese, but the market for these is smaller than for the crossbred shawl, and it may be noted that the handloom shawl made in the North from foreign (chiefly Japanese) merino yarn has no difficulty in holding its own, with the assistance of the present duties, and its own excellent quality. We must add, however, that while we are writing this report we have received evidence that Japanese manufacturers have turned to the making of shawl-cloth of crossbred quality.

Shawls.

69. Worsted yarns (from crossbred and merino wools) have long been a product of the Indian mills. And crossbred yarn has been used for the production of a type of plain worsted cloth for which there has been a market in India. But until recent years merino wools were used only for coarse counts (largely for knitting) and the spinning of finer counts for weaving and hosiery is still (in some of the mills) in an experimental stage. The extent to which fine merino yarns can be supplied to the Indian market by the Indian industry is a question which will have to be considered when we deal with the effect of protection on the other woollen industries. But we have been satisfied by the evidence of expert witnesses that yarns can be and are being produced which can compare in quality with the best of imported yarns, and that this improvement is not confined to yarns is supported by the evidence of the Indian Stores Department that there has recently been great improvement in the production of worsted cloths for Government departments.

Worsted yarns.

70. Undoubtedly this side of the industry is not yet fully developed. Putting aside the Lalimli Mills, regarding which we lack evidence, they are reported in comparison with the best imported products to fail in originality of design, proper finish and satisfactory dyeing: and some reorganization and some expenditure will be needed to effect improvements. But we do not regard it as surprising that the standard of the Indian Mills' production is still some way behind

Worsted cloths.

the standard of the long established industries of Europe: apart from the lack of experience in these respects, they are handicapped to some extent in the important matter of design by the comparative smallness of the home market, which makes large experimental manufacture a risky procedure involving heavy working capital outlay. And our sketch of the recent history of the industry will, we think, serve to indicate some other reasons for their slow progress. Competition in the past has been severe, but we believe that the quasi protection which they are now enjoying (partly from Customs duties and partly from the exchange difficulties of some competing countries) would have enabled the industry to progress but for the sudden incursion of Japan.

Quality of worsted cloths.

71. We have received belated corroboration of the correctness of this conclusion in a series of samples from the Lalimli Mills which reached us some time after we had finished the taking of evidence, and while this report was being written. We do not know (in the absence of direct evidence) the extent to which these goods are in the market, but we have been given to understand that the sales organization of the Lalimli Mills is in some respects retail rather than wholesale, and this would account for their piecegoods coming less to the notice of wholesale merchants, from whom our evidence has chiefly been obtained. These samples do in our opinion serve to substantiate the claim that the Indian industry has already made such progress that we can reasonably look forward within a short time to the Indian Mills taking their proper place in the Indian market, if they can obtain protection against the overwhelming competition of Japan which has practically eradicated any price difference between merino and crossbred qualities.

Third condition.

72. In regard to the third condition we can only repeat the reasons we have given in paragraph 61 for not insisting upon its fulfilment. In the chaotic conditions of world exchanges to-day it is impossible to foresee what may happen; but we have no reason to suppose that given more normal and stable conditions of world trade the Indian industry should not in due course be able to hold its own, except possibly against Japan.

Industry requires protection in the interests of the country.

73. But the mills do not provide the whole of the picture. The small factories of the Punjab and elsewhere are turning out excellent fabrics, and the old-established handlooms of the hereditary weavers of fine woollen tissues are still an essential part of the industry, and their survival is, in our opinion, no less important a consideration. The extent to which we have been able to calculate the exact measure of protection required we shall deal with in the next Chapter. Here we will only state our conclusion that in our opinion the industry even in the incompletely developed form in which it exists to-day is in a danger of being crushed by this competition, and that it is in the interests of the country that it should be protected.

CHAPTER VI.

The Measure of Protection required.

74. In attempting to arrive at fair selling prices we have been faced by a problem certainly not less difficult to solve than that presented by the companion textile industries. The complexity of such a problem unfortunately is in no way proportionate to the size of the Indian industry or the financial interests involved. And the immense variety of articles produced, many of them specialities of particular countries, has put effective comparison with foreign imports out of the question except in certain standardised types. The British Wool Textile Delegation have been kind enough to supply us in confidence with a system of costings relating to the British industry and this we have made use of as we shall explain. We have worked out our own system of costing in arriving at fair selling prices of the standard types which we have selected for purpose of comparison. We have taken examples* from each of the main heads of production, *viz.*, travelling rugs, shawls, meltons, tweeds and worsted suitings, etc., both Indian and foreign, and ascertained so far as the evidence of manufacturers and dealers would enable us to do so, which examples were being sold in the market in competition with one another. The difficulty we have experienced in doing this may perhaps be gauged from our discussion of the problem in Chapter IV. But we believe we have arrived at a parallel series of samples which though not always strictly comparable in quality and not covering the complete range of woollen goods, do in our opinion compete with one another at the same general level of the market. The prices of Italian, Japanese and other foreign articles have been ascertained by the evidence of the Mills themselves, of merchants in Bombay and some of the Chambers and Trades Associations. The United Kingdom prices have been supplied to us by the delegate from Bradford or are quotations given by the Chambers of Commerce and other Trades Associations.

Comparative fair selling prices.

75. We have supplemented the information thus obtained by a further series of comparative prices arrived at (*a*) by taking typical articles of foreign manufacture of which we know the c.i.f. prices and estimating what would be the fair selling price of exactly similar articles made in India: (*b*) by estimating the United Kingdom cost of a number of articles of Indian manufacture. (*b*) is of service only in calculating the possible extent of competition from the United Kingdom and has been confirmed by estimates made by the representative of the Bradford Chamber of Commerce of what the c.i.f. prices of exactly similar

Methods adopted in arriving at fair selling prices.

* We desire to acknowledge particularly help received from the Bengal and Bombay Chambers of Commerce and the Woollen Piecegoods Association of Bombay, among others.

articles would be if made in England. We believe that (d) combined with the actual quotations of goods, even if not always strictly comparable in quality, has given us a range of comparative prices which forms, with some limitations, a fair guide in assessing the general extent of the competition and so to measure the protection required.

Comparison based on prices prevailing 1934-35.

76. The great and constantly changing series of varieties have made it impracticable for us to determine average prices over a series of years. There is indeed a certain steadiness of general prices from the United Kingdom but there has been a constant downward tendency in the prices of the cheap shoddy articles from the Continent, and there is nothing steady in the quotations from Japan. The uncertainty of the currency exchanges is another unsteadying factor. On the whole we think there is no alternative but to take the position as we find it to-day, that is to say, in the 1934-35 season.

Method of arriving at standard costings.

77. We have then applied our own standard of costings to the Indian products and ascertained their fair selling price calculated on this basis. In arriving at our standard costings we have of course had before our minds the conditions that underlie the system of discriminating protection, and consequently though we have used the detailed costings supplied to us by the Bombay and Bangalore mills, they have been converted, partly from our own knowledge acquired in the course of this enquiry and partly on expert advice and comparative evidence, into what may be called the costings of a fully efficient mill. For comparison of cost with articles in the market in the 1934-35 season we have taken the cost of raw material as it was at the time those goods were manufactured. We have estimated the cost to-day of erecting a mill of approximately the same size as one of the woollen mills and one of the joint worsted and woollen mills, and have allowed depreciation on this basis. We have assumed a working capital equal to 6 months' output of these mills; and we have allowed 6 per cent. interest on the working capital, and 6 per cent. as profit on the total block capital. Unfortunately our estimates have had to be based on conditions only in Bombay and Bangalore. Bangalore is as well situated as any mill in India for the manufacture of the lowest qualities of rugs, and other woollen tissues, and our costings of these types have accordingly been based on conditions in that locality. As regards superior woollen gods and worsteds our estimates of necessity follow the circumstances that accompany industry in Bombay. In some ways production is probably cheaper in Cawnpore and the Punjab, but we believe that on the whole there are advantages in Bombay which may counterbalance some of those of Upper India, and we have accordingly applied our estimates of costs to Cawnpore products also. It must be admitted however that it is possible that Cawnpore costs may be somewhat lower.

We have assumed that the general rates of wages will remain the same as to-day, but have taken into account the economies that should result from continual working on a greater output. This will lead to greater efficiency of the workmen which itself implies increased production from a machine, larger yields from the raw material, and lower incidence of overhead charges.

Fair selling price based on average costs throughout period of protection.

78. We believe that the fair selling prices at which we have arrived may fairly be taken as based on average costs throughout the period of protection. On the woollen side protection is chiefly needed in the lower grades of output, and our proposals should certainly enable the mills to increase their production very soon and attain the economies we have estimated. In medium and high qualities of woollens, and in the worsted industry progress depends in our opinion chiefly on the mills themselves, and given relief from the pressure of Japanese and Italian competition we see no reason why the industry should not be able to hold its own, if it studies the needs of the market. In arriving at our costings of the medium and high qualities however we have assumed that the industry will take longer to reach its full production.

Managing Agents' commission allowed

79. The management of the industry, except in the Cawnpore and Dhariwal mills, is of the Agency system. In view of the full discussion and investigation that has followed the report on the cotton industry, we think it unnecessary to say anything about this. We have allowed in our costing 10 per cent. on the net profits on account of Managing Agents' Commission. We do this inspite of the fact that a large part of the industry is not on the Managing Agency system because that system does avoid certain other supervisory charges, and some of the selling expenses which fall on the rest of the industry. We find that the mills which employ outside selling agents usually pay a commission of 4 per cent. on cloth and hosiery and 2 per cent. on yarns. But a good deal of the output is disposed of direct to wholesale merchants, and we consider that an average commission of $2\frac{1}{2}$ per cent. to cover selling expenses is justifiable.

Factors handicapping the industry.

80. In the following paragraphs we shall distinguish in our recommendations the woollen and the worsted sections of the Industry. But we wish first to make some remarks, applicable to both sections, on the possibility of reorganization which has been put to us by a number of witnesses, perhaps without full consideration of its difficulties, as the sole cure for industrial illness. Compared with the Cotton Industry the woollen trade has always been one of greater individuality. And in India this is accentuated by the great distances which separate various units, leading to different problems in different localities. This alone we imagine has been sufficient to account for the lack of organization and co-operation of the industry as a whole. There is another factor

which has in some measure handicapped the Industry in its competition with foreign products. The woollen markets of India as of the rest of the world are of immense variety, and to serve this variety the Indian mills, particularly those of the joint woollen and worsted type, are attempting to make something of everything. Most other woollen industries of the world have met this varied demand by specialization, and as they have been organized to supply a world market, while obtaining the economies and efficiency of specialization they escape some of the risks and the locking up of capital that may be involved in catering for so small a market, comparatively, as that of India. There is hardly such a thing as specialization in India to-day, and the difficulties in the way are obvious. But the handicap imposed on the industry by the present organization must also be realized. To be successful the Mills are dependent on a most accurate estimate of the market demands and must employ an unusually large working capital in the financing of stocks. It seems probable also that efficiency in so many different lines must demand a high proportion of supervisors. In the absence of protection success in the home market must be dependent on the extent to which these difficulties can be overcome. Something can be achieved, we believe, by leaving to the woollen mills the market in the lowest qualities of blankets and rugs and other woollen textiles for which their location and their experience peculiarly fit them. And this arrangement would also tend to reduce the existing intense competition of the Mills with the hand-loom weavers. But the problem is one which can only be solved by the Mills themselves.

Blankets and Rugs.

Blankets and rugs.

81. As we have already stated earlier in this report we do not propose to differentiate between virgin wool and wool recovered from rags or 'shoddy'. At present all blankets and rugs are classed under one item of the Tariff Schedule No. 49 (3), unless made wholly or partly from artificial silk. We think that a separate item should now be made for woollen blankets, and propose that 25 per cent. content of wool shall constitute a woollen blanket or rug. We have discovered no blanket or rug passing as woollen that contains less than 50 per cent. wool, except from Japan, one of which was found on analysis by the Customs Department to contain—

	Per cent
Warp—	
All cotton	19
Weft—	
Wool	24
Cotton	37
Artificial silk	7
Hemp	13
	100

About 25 per cent. is the minimum proportion, agreed to by Indian manufacturers, which would enable a rug to pass as woollen. It is the fact that cotton or staple fibre can be mixed with shoddy wool that makes it possible for an attractive rug to be manufactured at a cost equal to or even lower than that of the cheapest Indian rug. Neither shoddy nor cotton can be mixed with the lowest quality of Indian wool and even if they could, no price advantage is likely to accrue to the Indian manufacturer. But we are of opinion that it would be undesirable to encourage this type of manufacture in India partly because the article is definitely inferior in warmth and durability to the indigenous article, and therefore not really cheaper, and partly because it involves the abandonment of the advantage which India possesses in her low grade raw material, and would do a disservice to the wool grower. In the best quality blankets and rugs for which an imported wool is required the Indian manufacturer is in exactly the same position as the foreign manufacturer in regard to the possibility of mixtures and should therefore equally be able to meet such demand as there may be for this type of article. We therefore recommend the retention of only one class of woollen blankets and rugs whether they be of pure wool or mixed with other materials to the extent of 75 per cent.

Combined duty recommended.

82. We propose to deal with the cheapest imported article by imposing a specific duty of 4 annas a pound combined with an *ad valorem* duty. The lowest weight rug made of the low grade Indian wool which can compete with the Italian shoddy rug is of about 3 pounds. Rugs are sold retail by the piece and not by weight, and we propose to meet the competition of imported rugs of lighter weight by imposing a minimum duty of Rupee one per blanket or rug. The *ad valorem* duty should be 25 per cent. The following Table gives the prices of three popular Italian rugs of low quality, the effect of the proposed duty, and the fair selling price of Indian rugs which are sold in competition with them:—

TABLE XXII.

—	Weight.	Landed price ex duty.	Specific duty.	*Ad valorem* duty 25%.	Total.	Indian Rug.	
						Weight.	Fair selling price.
	lbs. oz.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	lbs. oz.	Rs. A. P.
A.	2 10	1 10 0	0 10 6	0 6 6	2 11 0	3 0	2 2 5
B.	2 8	2 0 6	0 10 0	0 8 1	3 2 7	3 0	2 14 9
C.	3 4	2 13 6	0 13 0	0 11 4	4 5 10	2 12	4 1 2

A popular reversible (or 'double') rug (D) of medium quality ("all wool"—mostly shoddy) weighing 5 lbs. is priced c.i.f. at

Rs. 4-6-4. The combined duty will raise the price to Rs. 6-12 (reduction in weight or quality would certainly lower its popularity). There is a number of Indian rugs which attempt to compete with this, all weighing 4 lbs.; and the fair selling prices of two are Rs. 5-14-6 and Rs. 6-12. The Bangalore Woollen Mill has been very successful in its experiments with a double rug containing a similar proportion of shoddy, certainly superior in quality to the Italian, the fair selling price of which is Rs. 5-12. Assuming that the Indian mills find it necessary to increase their weight somewhat, we have no doubt they will be able to hold their own at these prices.

United Kingdom imports exempted from specific duty.

83. The incidence of the combined duty amounts to 65 per cent. on A, 55 on B, 53 on C, and 53 on D. A 5-lb. rug costing Rs. 10 c.i.f. would pay 37 per cent., and a Rs. 20 rug 31 per cent. Imports from the United Kingdom, we are informed, are now confined to blankets proper, and a very superior travelling rug. Blankets have now gone out of use in India in favour of the travelling rug, and the Indian industry competes hardly at all with this type of product. In the better quality travelling rug the Indian Industry is well able to hold its own with the United Kingdom. Imports are so small to-day that no quotations have been submitted to us of comparable qualities. We have costed two Indian rugs, one of medium and one of high quality, on both the Indian and United Kingdom basis of costs with the following result:—

TABLE XXIII.

	Weight.	Size.	Indian cost.	United Kingdom cost.
	lb.	inch.	Rs. A.	Rs. A. P.
(1) Rug . .	4½	96×54	11 3	13 1 5
(2) " . .	4	90×64	6 12	8 1 9

Rug (2) is the Indian rug intended to compete with the Italian rug and referred to in the previous paragraph. If we assume that the United Kingdom costings are somewhat high, there is still no question but that the Indian manufacturer is favourably situated in comparison with the English manufacturer. Such preference as is consonant with the general level of revenue duties may be given. We recommend that the United Kingdom imports should be exempt from the specific duty.

OTHER WOOLLEN TISSUES.

Woollen piecegoods—existing duty on United Kingdom goods to be retained.

84. Under the present Customs Schedule [Item 42 (2)] woollen piecegoods (other than felt and shoddy materials) pay 35 per cent. *ad valorem* or Re. 1-2 per lb. whichever is higher. Materials made of shoddy pay only 35 per cent. *ad valorem* under Item 49 (3). Fabrics containing less than 90 per cent.

wool pay 35 per cent. *ad valorem* under Item 48 (*b*). Our chief concern under this head is with the shoddy goods of Italy and Poland. Japanese competition is limited to certain types of "face cloths", and similar plain materials (known variously as Blazer cloth, Chesters and Broadcloth) and to such of her light shirting flannels and "bleached muslin" as are classed as 'woollens'. These, so far as we can ascertain, are ordinarily made wholly of virgin wool* and cloths of similar weight are priced somewhat higher than the Italian shoddy, but a good deal lower than the Indian fair selling price of similar articles, the average being about Re. 1 a lb. lower. There is reason to believe, as we have previously stated, that the exemption of shoddy from the specific duty has encouraged the import of fabrics made wholly or partly of shoddy, that is to say, these articles have been able to compete more successfully with goods made of virgin wool. The total imports of shoddy piecegoods amount to about 2 million pounds in weight valued at Rs. $16\frac{1}{4}$ lakhs. The average weight per yard is probably about 16 ozs. and the average value per lb. about 13 annas. We have been unable to find any other imported goods classed as woollens which call for so high a duty as these shoddy cloths, in order to protect the Indian industry. If the shoddy were comparable with the Indian tweed of lowest quality, the latter would require a maximum duty of Rs. 1-6 per lb. But the lowest Indian tweed, whether mill woven or hand woven, seems to us to be better than the lowest quality of shoddy tweed. The factor of fine finish is not quite so evident as in the rugs: and to levy a duty equal to the full difference in price of the cheapest variety would seem to be unnecessary. But there is no doubt that the cheapness of the shoddy inspite of its manifest inferiority is preventing the sale of Indian tweeds: and if the Indian industry is to be protected as we have already agreed, then the price of the shoddy must be increased to a point at which Indian tweed can be readily sold.

Apart from Japan, woollen piecegoods other than the cheap shoddy materials to which we have referred come, we believe, very largely from the United Kingdom. The joint representation claims broadly that the industry requires the present preferential revenue duties to be converted into protective duties. The Table given below would show that on comparison of bazar prices alone the difference in price is more than covered by the revenue duty. But it is probably true that even in exactly comparable fabrics the United Kingdom product will be the better made and so command a better market than the Indian article. This disadvantage is one which we believe will tend to disappear; and meanwhile may be counterbalanced by the continuation of the present duty.

The chief evidence we have of direct competition between Indian Mills and the United Kingdom is in the contracts with the Indian

* Reports from Calcutta show Japan has begun to export small quantities of shoddy goods.

Stores Department. In most instances to-day the Indian Mills are now able to quote competitive prices; that is to say, the present 25 per cent. duty has been sufficient to protect them completely. We recommend that this preferential rate of duty should be retained as a protective duty both in the cases of woollen and worsted piecegoods.

Description of	Indian Mill.			Difference. + Excess over Indian cost. — Less than Indian cost.			
		Future price.		Per lb. Cols. 11 and 3.	Per lb. Cols. 11 and lowest foreign price.	Per lb. Cols. 11 and 5.	Per yard Cols. 12 and 6.
	r yard.	Per lb.	Per yard.				
	12	13	14	15	16	17	18
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Melton—						..	
20 ozs.	3 10	1 10 3	2 0 10	+0 3 9	—0 15 0		..
21 „	..	..	..	..	—1 2 6	..	..
22 „	..	..	..	..	—1 1 9	..	..
18 „	..	..	..	..	—1 0 1	..	..
Chester cloth—							
14 ozs.	2 6	2 4 4	1 15 10	+0 10 2	—0 12 1	..	..
14 „	..	..	..	+0 2 8	..	..	..
11-12 ozs.	..	..	..	..	..	+0 4 6	—0 2 6
Blazer cloth—							
10 ozs.	0 7	2 15 10	1 13 10	—0 2 7	..	—1 0 11	—0 10 7
9-10 ozs.	..	..	..	..	..	—0 15 5	—0 10 7
12 ozs.	4 3	2 12 1	2 1 1	+0 0 3	..	..	..
Saxony suitings—							
17 ozs.	14 4	2 8 2	2 10 8	+0 4 6	..	..	..
16 „	..	..	..	—0 4 8	..	..	..
Broadcloth—							
17 ozs.	15 3	2 9 5	2 12 0	—0 1 6	—1 6 4	..	..
20 „	..	..	..	—0 3 10	—1 6 6	..	..
Cricketing flannel—							
15 ozs.	10 4	2 9 7	2 7 0	..	..	..	..
14 „	..	..	..	+0 1 11	..	..	..
Trousering flannel— 15 ozs.	12 10	2 12 4	2 9 7	—0 6 3	..	..	..
Tweed—	13 4	1 10 10	1 10 10	+0 9 8	—0 14 11	..	..
16 ozs.	..	..	..	..	—1 0 10	..	..
18 „	..	..	..	+0 2 8	+0 2 8	..	..
16 „	..	..	..	+0 10 8	+0 5 8	..	..
14 „							
Baize cloth—							
13 ozs.	9 10	3 0 0	2 6 11	+0 4 5	..	..	..
11¼ „	..	..	..	..	..	—1 1 1	—1 1 0
10½ „	..	..	..	..	..	—1 1 1	—1 3 8

85. We may therefore confine ourselves to the competition of Japan and the Continental countries to which our attention has been drawn. And a duty which will be sufficient to protect against the shoddy trade will certainly suffice to protect against competition whether from Japan or other countries in the pure wool trade. The measure of protection required in view of what we have said in paragraph 84 is not easy to determine. As we have said to level up the lowest prices a maximum duty of Re. 1-6 per lb. would be needed. The maximum is based on two examples of a broadcloth; the average difference in price of the samples listed works out at 14 annas 9 pies a lb. It is not possible to arrive at a properly weighted average, but we have come to the conclusion that a duty of about Re. 1 per lb. coupled with their superior quality should enable the Indian Mills to compete on equal terms in these types. Re. 1 is nearly the same duty as is required against Japan in the dearer articles. The hand woven stuffs which compete in these grades are the puttoos and the tweeds and similar styles of cloth called by various names. In width the cloth varies from 18 inches in 'puttoos' to 32 inches in 'tweeds' and the selling prices, adapted to the usual 54 inches, would be—

On goods from other countries specific duty with alternative *ad valorem* duty recommended.

Puttoo from Re. 1-10-8 to Rs. 2-12-6.

Tweeds from Re. 1-2-6 to Rs. 2 a yard.

The weight of the cloth has not been reported but does not differ materially from that of the mill made tweeds which are from 14-16 ounces per yard: and it will be seen that the prices of the hand woven are therefore much the same as of the mill made cloth. We propose to levy the duty in the form of a specific duty of one rupee per lb., with an alternative *ad valorem* duty of 35 per cent. The specific duty will be effective on prices up to about Rs. 2-14 a pound. At this price it is equivalent to 35 per cent., and on higher prices the *ad valorem* duty comes into effect.

Mixtures.

86. Our trade statistics regarding mixtures start with April 1934. The following statistics are available partly from the Indian records and partly from those of the United Kingdom.

Mixtures.

TABLE XXV.

—	Exports to British India in 1933.								Imports of Mixtures into British India in 1934-35.		
	Total Woollens.		Total Mixtures.		Total Worsteds.		Total Mixtures.				
	Sq. yds. (thds.)	£ (thds.)	Sq. yds. (thds.)	£ (thds.)	Sq. yds. (thds.)	£ (thds.)	Sq. yds. (thds.)	£ (thds.)	Yards (thds.)	Lbs.*	Rs. (lakhs).
United Kingdom	1,668·2	178·0	1,349·2	114·7	861·8	102·8	419·8	43·8	2,125·6	..	29·46
Germany	..	..	..	..	..	..	..	..	58·3	..	1·00
Belgium	..	..	..	..	..	..	..	..	45·1	..	·67
Italy	..	..	..	..	..	..	..	..	447·1	..	3·73
Japan	..	..	..	..	..	..	..	..	409·7	..	4·97
Other countries	..	..	..	..	..	..	..	..	132·8	..	1·92
TOTAL	1,668·2	178·0	1,349·2	114·7	861·8	102·8	419·8	43·8	3,218·6	1,860·2	41·75

* There is some discrepancy between the monthly returns of weight and the total of the year. We have therefore omitted the weight of the different countries.

See also Table XIV.

Mixtures represent about 23 per cent. of the total imports of piecegoods. The big supplier of mixtures both woollens and worsteds has always been the United Kingdom. As the specific duty did not apply to the United Kingdom, her proportion of mixtures to total piecegoods has obviously not been affected by the application of the specific duty to pure woollen goods. There is no evidence that mixtures from other countries have been encouraged by this distinction, though the general impression is that imports of mixtures have increased, particularly from Japan. There is no indication of what proportion of the mixtures from other countries than the United Kingdom are classed as woollens, and what proportion is worsteds. On general evidence we have reason to suppose that Japanese mixtures are mostly worsteds, and Italian mostly woollens.

Staple fibre to be admitted free.

87. The demand of the Indian industry is that mixtures shall be treated as pure woollen goods for the purpose of protective duty. The problem arises from the fact that India at present produces no mixtures. There would *primâ facie* be some justification for this claim on the woollen side in the fact that Indian wools of the lowest class cannot be blended with cotton or other staple fibre: and therefore it is true that the lowest class of Indian fabrics would be at a disadvantage, were not the wool as cheap as cotton. But of the low grade woollen cloth practically none can be made of that low class of Indian wool that can be used for the manufacture of blankets and rugs. Most mill made woollen fabrics therefore contain only the superior quality of Indian or East Indian wool, mixed perhaps with a proportion of crossbred wool and worsted waste, and the better the quality of cloth, the higher the proportion of imported wool. Only in this superior class of material can cotton or staple fibre be blended with the wool, though in tweeds a thread of cotton or other fibre is often used in making the design. In other types of cloth, such as blazer cloth and meltons which have a plain milled surface, the 'union' type of mixtures (with a cotton warp) is sometimes adopted. The proportion of other material used in the mixing for blankets and rugs may, as we have seen, be as much as 50 per cent. or even 75 per cent. In other woollen textiles it is rarely so much, the proportion in United Kingdom goods being seldom more than 23 to 30 per cent. and generally less. In worsteds on the other hand the proportion can be much larger, but in this process the mixing is of different yarns and not of two materials in the blend. There is, so far as we know, no valid reason except the difficulty of specialisation to which we refer elsewhere, why the Indian mills should refrain from making these mixtures. The only reason which has been given to us, *viz.*, the difficulty of keeping the materials apart in the same mill so that there is a risk of the "pure wool" specifications of Government contracts being endangered, is surely one which can be got over by better organization. There is a great and increasing demand for mixed fabrics throughout the world (which has no

connection with the encouragement given by separate classification in the Indian Tariff Schedule), and the indications are that this demand has come to stay. The woollen mills themselves have asked for the removal of the duty on staple fibre until there is a nearer prospect of its manufacture in India. Rayon and staple fibre production is always creating new records. All this indicates that the long continued reliance on the natural qualities of pure wool for clothing is breaking down. Fashion is rejecting the claim of pure wool to be a 'superior' product and in India the climate supports fashion. We support for these reasons the request of the Mills and recommend that staple fibre should be admitted free as other raw materials, or should not at any rate pay a higher duty than foreign cotton. The imports of staple fibre began only in 1934-35 and amounted to about 42,600 lbs.

Woollen mixtures to be subject to the same duty as pure woollens.

88. If the mixture of other fibres with wool is to be a factor of increasing importance in the industry we consider that this branch of manufacture should be treated on its merits, and not regarded as a mere unwanted competitor with pure wool. In this instance the industry must certainly conform to the dictates of fashion, if it is to progress. Mixtures are not manufactured only in order to achieve cheapness, but more often in response to demand. We have unfortunately not been supplied with much evidence of the difference in price. There is obvious risk in using Customs records as these take no account of quality, which does not follow weight. Average prices therefore whether per pound or per yard will be misleading. The average prices of imported piecegoods in 1934-35 were Rs. 2·92 per lb. and Re. 1·33 per yard, and of mixtures Rs. 2·24 per lb. and Re. 1·29 per yard. From the United Kingdom the average price of woollen tissues per square yard in 1933 was 2*s.* 5*d.* and of woollen mixtures 1*s.* 7*d.*; of worsted tissues 2*s.* 5*d.* and of worsted mixtures 2*s.* (Figures for later years are not available.) On the other hand the average price per yard of Japanese piecegoods (woollen and worsted tissues combined) was Re. 1-1 in 1934-35 while the average of mixtures was Re. 1-3-4. Japanese mixtures are obviously in the more expensive types of cloth. The price of German mixtures also averages slightly more than pure wool goods, while Italians are about half the price. The only conclusion that can be drawn is that the general level of prices of mixtures is somewhat lower than that of pure woollen goods, and that consequently the same specific duty would bear more hardly on the mixtures. On the other hand the cost of manufacture of mixtures should not differ materially from that of pure wool goods, so that the need for protection in the one case remains the same as in the other, and could be calculated at the same *ad valorem* rate. So far as mixed 'woollen' tissues are concerned therefore it would appear that the duty should bear the same percentage incidence as the duty on pure woollen tissues. There are however two considerations that lead us to modify our recommendations in regard to mixtures

classed as woollens. Firstly, that the industry is not yet organized to produce mixtures. Experience will be needed before the technique necessary for perfection can be acquired. Secondly, that shoddy will certainly be blended with cotton if the duty on this mixture is less than that on virgin wool or on the mixture of shoddy with virgin wool, and therefore in order that all tissue containing shoddy may be treated equally, which we think to be necessary for the protection of the low grade Indian tissues, the same specific duty must be applicable. The specific duty which we have proposed will, we believe, be effective against the low grade imports, and the *ad valorem* duty afford sufficient protection against higher qualities.

No change proposed in the definition of pure wool fabric.

89. We do not propose to change the present definition of a pure wool fabric in item 48 (2) of the Tariff Schedule as one containing more than 90 per cent. of wool (except to the extent that shoddy will no longer be excluded).

WORSTED TISSUES.

Shawls to pay same duty as piecegoods.

90. Worsted fabrics are classed for the purpose of Customs duty with other woollen fabrics in item 48 (2) of the Schedule, and pay 35 per cent. *ad valorem* or Re. 1-2 per lb., whichever is higher. We think it will be convenient to re-state here some of the facts we have given in previous chapters. Of the total imports of piecegoods (including mixtures) averaging 13 million yards in the past three years, we estimate that about 50 per cent. or 6·5 million yards are worsteds. The other important item of worsted production is shawls, the imports of which in 1934-35 have been 416,000 in number. Shawls are included in item 49 (4) of the Tariff Schedule and pay 35 per cent. duty. A large volume of shawl cloth has in the past been imported as piecegoods, the shawls being made up in India. Shawl production has always been the mainstay of the Indian industry. One of the general effects of the imposition of the specific duty on piecegoods has been the increased importation of shawls, and a falling off in the import of shawl cloth. In particular the trade in French shawl cloth (of crossbred quality) is reported to have almost disappeared. The Indian Mill industry has now largely recovered this trade. But in the current year Japan has begun to send a crossbred shawl cloth at very low prices. The trade in shawls of the merino quality has in the past been chiefly with Germany whose product is largely of the all-over embroidered type. Recently Japan has been importing merino shawls and shawl cloth in increasing quantities, and the mills are unable to compete with the price of these which is not much higher than that of their crossbred quality. But the Indian industry represented by the handloom weavers of Upper India produces a superior quality of shawl and 'chaddar' with a design that appeals to the market and is reported to be well able to hold its own under the present scale of duties, inspite of a somewhat higher

price, so long as it can obtain cheap supplies of merino yarn. A cheap Japanese woven shawl made to imitate the knitted article is reported to compete successfully with the Burmese knitted shawl, being sold at Rs. 15 a dozen. There is little demand for this in India. The claim of the Mills is that the same duty as is imposed on piecegoods should be applicable to shawls also. We agree that there is no justification for the distinction.

Comparative prices of worsted piecegoods.

91. Tables XXVI and XXVII give comparative prices of worsted piecegoods. They are not completely representative of all types of worsted piecegoods, but they cover a range of suitings in which competition is said to be most severe, and a number of other articles in which it is doubtful whether the Indian industry has yet reached the stage of effective competition. They serve, we think, to support the conclusion at which we have arrived, *viz.*, that in the conditions of to-day Japan is the only competitor which India has to fear in this branch of the industry. Japan uses chiefly merino wool for export and consequently her products compare in quality only with the better class of the United Kingdom and Continental goods but in price they are lower than much of inferior quality. Recently we have evidence of the use of crossbred wool also which is possibly an indication of an impending rise in price of merino qualities. To what extent Continental competition would revive with Japan on more level terms we are unable to say. In view of Japan's position in the market we have failed to obtain adequate statistics of prices of Continental goods. We can only report that in general when the goods are comparable in quality they are reported to be somewhat lower than those from the United Kingdom. Merchants in Bombay put the difference at about 14 per cent.

Japanese competition.

92. In some lines such as the "Bleached woollen muslin" used for shirtings and similar garments, and sold at 5 annas a yard, Japan seems to have almost a monopoly. Bleached muslin which has long been known in India as 'merino' is a speciality which has not yet been made in India, but Indian mills do make an exactly similar cloth (unbleached), as a shirting flannel, of a heavier weight. Japan has eliminated Continental competition in similar fabrics. Some lines of more expensive shirting flannels from the United Kingdom continue to be imported in small quantities, but we do not know the extent to which shirting flannels made by Indian mills are in the market. We have included in the Table some costings of samples with which we have been supplied. Mill production of shirting flannel seems to be largely directed to army orders.

Description of	Difference. + Excess over Indian cost. —Less than Indian cost. Kingdom. Cols. 4 and 10 per yard.	Japan. Cols. 5 and 9 per lb.	Japan. Cols. 6 and 10 per yard.	REMARKS.
1	14	15	16	17
	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1. Serge 16 ozs.	—0 0 3	—2 3 11	—2 3 11	The future prices given in columns 11 and 12 are those to which it is believed the Indian Mills will attain with a few years' experience and their full share of the Indian market. They have not been used for comparative purposes.
2. Suitings 8 ozs.	—0 0 8	—3 4 10	—1 10 1	
3. Panama suitings 8 oz	—0 3 11	—3 0 2	—1 8 1	
4. White serge 9 ozs.	—0 0 4	—1 10 3	—0 14 9	
5. Kashmir Tropical su	+0 8 0	—1 15 7	—1 3 9	
6. Whipcord 12 ozs.	—0 3 11	—2 2 2	—1 9 7	
7. Cashmere 10 ozs.	..	—0 2 5	—0 1 11	
8. Light serge 8 ozs.	—0 11 4	—3 7 8	—1 11 10	
9. Venetian cloth 14 ozs	—0 6 9	—1 14 7	—1 10 9	
10. Gabardine 10 ozs.	—0 3 11	—2 5 8	—1 7 6	
11. Serge 14 ozs.	—0 2 0	..	..	
12. Raisina suiting 10 oz	—0 6 3	..	..	
13. Tropical worsted 10	—0 6 3	..	..	
14. Worsted suiting 14 o	+0 1 10	..	..	
15. Worsted suiting 14 o	—0 4 8	..	..	

ported by the market dealers.

amber.

TABLE XXVII.

Description.	Weight.	Width.	Japanese c.i.f. price.		Indian.		Remarks.
			Per lb.	Per yd.	Per lb.	Per yd.	
	Oz.	Inches.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1. Bleached muslin, Japanese	3	30	1 8 0	0 4 6	..	..	(1) It is said that the nearest foreign competitor t8 this was a German shirting priced at 11 annas a yard.
2. Shirting flannel (white) .	5·5	54	..	..	4 2 9	1 7 9	
Ditto . .	5·5	30	..	..	2 4 9	0 12 8	
3. Shirting flannel (white), Japanese.	3	30	1 9 0	0 5 0	4 0 3	0 12 0	(3) is a twill weave which but for the width would compete as shawl cloth. It is stated that it is being made up into mufflers (rumals) which in India are made of shawl cloth. It would work out at Re. 0-8-4 per yard for 50″ width.
4. Shirting flannel (dyed), Japanese.	$4\frac{1}{2}$—5	30	1 13 0	0 9 0	..	..	(4) is a twill weave = Re. 0-15-0 a yard of 50″ and suitable for shawls.
5. German shawl (merino), embroidered artificial silk.	12	50 × 100	..	..	..	..	C.i.f. price Rs. 4 = Rs. 5-3-4 per lb., Re. 1-6-10 per yard.
6. Ditto . .	11	50 × 100	..	..	..	..	C.i.f. price Rs. 4-5-4 = Rs. 6-4-10 per lb., Re. 1-8-9 per yd.

TABLE XXVII—*contd.*

Description.	Weight.	Width.	Japanese C.I.F. price.		India.		Remarks.
			Per lb.	Per yd.	Per lb.	Per yd.	
	Oz.	Inches.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
7. Shawl (merino), Japanese .	16	50×100	2 6 5	0 13 0	..	..	
8. Shawl, Indian Mill, crossbred.	20	52×100	..	..	1 14 9	0 14 6	These are the prices at which the Indian mill made shawls are being sold. They are of a lower quality of crossbred wool equal to about 44s to 46s.
9. Ditto . .	32	54×108	..	..	1 14 9	1 5 4	
10. Shawl cloth (crossbred), Japanese. (*a*)	6	50	About 1 14 0	0 11 3	3 1 11	1 2 9	These are all Japanese made from a superior worsted of 56s quality. The Indian costs are worked out on a wool of similar quality.
(*b*)	About 7—8	50	..	0 13 3	3 4 0	1 10 0	
New quotations, May 1935. (*c*)	7—8	54	..	0 10 6	..	..	
(*d*)	7—8	56	..	0 12 6	..	..	
(*e*)	7—8	56	..	0 14 0	..	..	
11. Shawl (Indian handloom) .	5½	56	..	..	3 13 0	1 4 4	A handloom product from United Provinces made from Japanese yarn.
Ditto . . .	4	44	..	..	3 8 0	0 14 0	A handloom product from Punjab made from Japanese yarn.

Uncertainty of prices of Japanese worsted cloths.

93. We have been much exercised over the problem of how to deal with this competition. Japanese prices in general do not merely undercut the prices of competitors; they may be as much as 50 per cent. and more below them; and it is obvious that the aim is a wide market and quick returns rather than maximum profit. The heavy specific duty imposed at the beginning of 1934 while it has proved too severe for most Continental competitors, already hampered by exchange difficulties, has been insufficient to protect the Indian mills against the Japanese and has therefore left the latter free to obtain such markets as they pleased. The Indian mills have proposed to cut the Gordian knot by imposing a quota system based on the average imports of the last five years, and they have been generally supported by most of those witnesses who have favoured protection at all. The difficulties in the administration of a quota system are considerable, and we should hesitate to recommend it until the objections to the more usual method of tariffs have been thoroughly explored. On the bare figures of comparative prices, so far as we have been able to select comparable articles, the average duty required would be Rs. 2-2-6 per lb. and Re. 1-6-2 per yard, the incidence of which on the average c.i.f. prices is 83 per cent. per lb. and 80 per cent. per yard while the maximum on particular samples rises as high as 180 per cent. Yet in view of the Japanese policy hitherto followed of continually reducing prices we can by no means be certain that even this impost will be sufficient to retain a fair share of the Indian market to the Indian industry against further determined efforts. The Tables of comparative prices show how uncertain is the price of Japanese worsted cloths. We are quite unable to account for the cheapness of some of the tropical suitings when compared with others which on Indian or United Kingdom costings should be approximately the same. We may quote in further illustration the price of 2/64s. count merino yarn which was last year being sold at a price below that of 2/48s; the normal increase in price of the finer count on the United Kingdom or Continental basis would be about 8 annas, and to-day the Japanese c.i.f. price of 64s. is 2 annas more than that of 48s. But we believe that it would not be sound to base the general level of duties on a few specific instances which may well be due to temporary causes. As we have said, an *ad valorem* duty of 83 per cent. would serve to level up the prices of most of the other fabrics quoted in Table XXVI on a pound basis.

Possibility of using Japanese cloth for various purposes.

94. In regard to Table XXVII there is, as we have said, some doubt, except in regard to shawls and shawl cloth, whether the Indian industry has yet reached the stage of effective competition, though we have no doubt in view of samples submitted to us of the capacity of the Indian industry to produce similar articles. We have considered the possibility of classifying separately the chief Indian products but have found it impracticable. One of the difficulties which has confronted us in

any attempts to differentiate between the various classes of worsted products is the possibility of using the Japanese cloth for various purposes. Thus one of the shirting cloths is exactly similar in weave to a shawl cloth, though lighter than the usual shawl cloth, and of narrower width. It is reported to be used also for the manufacture of rumals, a species of small shawl. It would therefore be impracticable to separate shawl cloth by definition from other piecegoods. In determining the measure of protection required we believe that the only safe comparison is of weight and width. But this basis gives Japan the advantage of their capacity to produce fabrics of lighter weight than the Indian mills can produce at present. A duty based on comparative prices per yard length of the same width would be required to meet this advantage. But to this extent it may be said that in these articles the Indian industry is unable to produce a comparable quality, and we are not prepared therefore to take this factor into consideration in determining the protective duty required on these very light fabrics.

Duty necessary to protect worsted piecegoods.

95. The difference in prices of worsted goods quoted in the same market is so great that we have felt it necessary to examine any possible causes with great care. It is necessary to repeat that the cost of the Indian and the United Kingdom samples is based on the prices of 'tops' in the first half of 1934. These were the prices which determined the selling price of goods in the season of 1934-35. But since Japanese imports do not follow the seasonal markets we are unable to do more than guess at the price paid for wool by the Japanese manufacturers. The quicker turnover of the Japanese trade is probably one reason for the constant variation in the bazar quotations. The level of prices of Australian wool was very low in 1931-32 and until July in 1933, when it began to rise very rapidly. In the spring of 1934 (the period which we have had to take for fixing the prices of raw material) prices were very high, and they then fell again until December 1934. In that month the price of Bradford 64s. tops was about 10 annas less than in the previous January. In the spring of 1935 there has been some hardening of prices. There is some evidence that Japan made very heavy purchases of wool in the winter of 1931-32 (before going off the gold standard) and heavier still in 1932-33 after the depreciation of the Yen but while wool prices were still very low. Since wool prices doubled between July and December 1933 it is possible that these purchases have given her in the past two years a great advantage over most of her competitors even after discounting the increased cost due to the fall of the Yen exchange. But this advantage cannot continue. The point we wish to emphasize in regard to Table XXVI of comparative prices is that while the Indian and United Kingdom costs are based on average wool prices of February—May 1934, Japanese costs may well be based on wool prices as much as 7 or 8 annas a lb. cheaper. We cannot be sure that Japan was compelled to buy any wool during the rise at the

end of 1933 and beginning of 1934. Since January 1935 Japanese yarn prices have risen slightly but steadily every month. When we collected our prices of piecegoods early in the year the quotations for new deliveries were in many instances less than the current prices. More recent information shows that in the last three months prices have risen by about 10 per cent. in common with other imports, in consequence of a rise in the price of wool. It seems safe to assume that the tendency to lower prices has at any rate been checked by the further rise in wool prices. These steep fluctuation in wool prices make the already difficult problem of comparative prices almost insoluble when one of the competing parties does not follow the customary seasonal markets. But it seems to us clear that the differences between Japanese and Indian prices given in the Table represent the maximum and are bound to diminish in future, unless Japan continues always to buy its wool cheap and Indian mills always to buy at the top of the market. We therefore propose to reduce the Indian costings (for purposes of comparison with Japanese) by taking an average of a year's top prices instead of the highest price of the year. The result is shown in the following Table. The average duty per lb. required now becomes Re. 1-15-10 which is equivalent to an *ad valorem* duty of 77 per cent. on the average import value. Subject to what we say hereafter we recommend that a general *ad valorem* duty be imposed on worsted piecegoods of 77 per cent. There seems to be no reason in the case of Japan to weight the incidence of a duty more heavily on the cheaper priced goods and consequently a specific duty is unsuitable. The specific duty of Re. 1-2 a lb. existing to-day has an incidence of 75 per cent. on the very lightest and cheapest Japanese fabrics referred to in Table XXVII. Consequently our proposals as we hinted in paragraph 94 leave conditions as they are in regard to these fabrics. The incidence of the specific duty on the average prices given in Table XXVI is 43 per cent., and consequently our proposals raise the incidence very considerably, where we consider it to be wanted.

TABLE XXVIII.

Cloth No.	Japanese c.i.f. price per lb.	Revised Indian costing per lb.	Difference. —Less than Indian cost.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
1 . .	2 2 10	3 14 3	–1 11 5
2 . .	1 14 0	4 11 10	–2 13 10
3 . .	2 3 0	4 15 5	–2 12 5
4 . .	3 5 4	4 8 1	–1 2 9
5 . .	3 0 0	4 7 7	–1 7 7
6 . .	3 1 4	4 10 4	–1 9 0
8 . .	1 15 0	4 15 8	–3 0 8
9 . .	3 2 3	4 8 4	–1 6 1
10 . .	2 7 9	4 6 6	–1 14 9
Average .	...	...	–1 15 10

96. For the reasons we have given in the section dealing with 'woollen' mixtures (paragraph 86) we think that while there is justification for distinguishing between pure worsteds and mixtures, the same *ad valorem* duty can legitimately be applied to both. We recommend that the *ad valorem* duty on mixtures classed as worsteds be 77 per cent., subject to the alternative recommendations which follow.

Mixtures to pay same duty as pure worsteds.

97. The Indian fair selling price approximates to the c.i.f. price of the United Kingdom samples that we have obtained, the average difference amounting only to about 8 per cent. of the average value of the samples. As in the case of woollens, we think that the present duty will be sufficient to protect the Indian industry against the superior finish of the United Kingdom goods and that no further protective duty is required against the United Kingdom. The evidence of Stores Department contracts shows that with the 25 per cent. duty the Indian mills are completely protected. We therefore recommend that the present preferential duty be retained.

Present preferential duty for United Kingdom goods to be retained.

98. A duty of this magnitude which must of necessity apply to all competitors irrespective of their cost of production may seem a clumsy weapon for dealing with the problem. And it is this aspect of the case which has presumably prompted the industry to suggest the imposition of quotas. Whatever the remedy finally adopted, we think it must be recognised that the evil we have to deal with is essentially the instability of the world's monetary system, which is continually creating advantages to the export trade of one competing country which are disadvantages of another. In the hope that currency stabilization is not far off, any remedy intended to set a limit to Japanese competition should, we think, in the first instance be of short duration. In saying this we do not wish to minimize the extreme efficiency of the Japanese industry but to point out that the unfairness of the present position is due to the depreciation of her currency. And some further enquiry which may cover fresh conditions raised by currency stabilization will certainly be necessary. We therefore recommend that the protective duties that may be imposed on any section of the industry should be limited in the first instance to a period of three years, unless it be thought convenient that all the textile industries should come under review at the same time, in which case the period may be extended to 31st March 1939.

Period of protection.

99. We have given much thought to the proposed quota system, but feel ourselves prevented by our limited knowledge of other conditions and by the fact that we are dealing with a single industry from making any definite recommendation. It may be possible for it to take the form of a special trade agreement with

Quota system discussed.

the one country, or it may involve the larger scheme proposed by the Millowners. A statement will be found among the appendices (No. VII) which gives the effect of a quota based (*a*) on the average of the five years ending 1933-34 and (*b*) of the six years including 1934-35. If we exclude the United Kingdom, the only countries which would be obliged to reduce their imports of 1933-34 are Italy and Japan. The inclusion of 1934-35 in the average would also benefit these two countries only. The introduction of such a quota system, if it be necessary to apply it to all countries and base it on average imports, would involve the ignoring of the distinction which we have drawn between woollen and worsted piecegoods owing to the fact that the trade returns do not distinguish between the two. And since Italy would have a larger quota than her imports of 1933-34 and 1934-35 the quota by itself will not meet the difficulty of that competition. It should also be noted that experience in the cotton trade has shown the necessity of including fents and readymade garments in any quota that may be fixed.

Exchange compensatory duty.

100. We have considered an alternative suggestion put forward by the Bengal Chamber of Commerce for an exchange compensatory duty against countries whose currency has depreciated, scaled in such a way as to ensure that the effective duty will be not less than that in force against other countries, whose currency is not depreciated. The suggestion is attractive and we have examined it as a means of dealing also with other forms of export stimulation. Of the exporting countries with which we are concerned, at present only Japan and Belgium have a depreciated currency. The Belgian depreciation of 28 per cent. is too recent for any effect to be traced yet in her exports to India. We have reason to believe that export prices are being controlled in accordance with the assurance given by the Belgian Prime Minister to the United Kingdom and France. Germany and Italy have a form of "exchange control" which applies discriminating exchange rates in favour of certain exports and against certain imports in the interests of the exchange stability of the mark and the lira. We have received informal evidence that by manipulation of import prices substantial subsidies are being given to German exporters. It should be possible to obtain details of the procedure. Press reports assert that exchange restrictions are being applied in Italy against Indian cotton. Evidence is, however, unanimous that Japan has a distinct advantage over others in exchange depreciation and that this advantage though it started in 1932 still continues. Apart from other considerations of manufacturing efficiency and exporting methods, the Japanese import figures that we have given support this assertion. The current rate of exchange has however been comparatively steady for so long a period (since January 1932) that it is necessary to examine whether the advantage has not by this time been neutralised by a rise in Japanese internal prices. We have not conclusive evidence on this point, but such reports as are available indicate that while the Yen has depreciated

the cost of living and production in Japan has not risen but even gone down.

Advantage derived by Japan in Indian market from depreciated exchange.

101. In the Financial and Economic Annual of 1934 issued by the Japanese Department of Finance, it is said with respect to the export trade "that greater activity was manifested in 1933 due largely to the depreciation of the Yen Exchange, its stability, and lower costs of production resulting from the progress made in the rationalisation of Industry". It is probable that these conditions have continued in the year 1934. The same publication also gives the index numbers of wages in the Textile Industry from 1927 to 1933 which are reproduced below. No separate index numbers are given for the wages of wool spinners and weavers, but presumably the index numbers given for cotton spinners and weavers apply equally to the wool industry.

TABLE XXIX.

—	1927.	1928.	1929.	1930.	1931.	1932.	1933.
Textile Industry :—							
Silk-reeler (Female) .	95	95	100	89	79	72	73
Cotton spinner (Female) .	107	105	108	98	83	73	69
Silk-thrower (Female) .	101	98	100	92	88	87	88
Cotton-weaver (Machine) (Female).	104	104	101	90	79	70	67
Silk-weaver (Hand) (Female)	98	102	93	81	73	72	75
Hosiery-knitter (Male) .	101	100	101	99	94	90	88
Hosiery-knitter (Female) .	100	99	107	98	90	84	84
Average	100·9	100·4	101·4	92·4	83·7	78·3	77·7

It would appear that the index number of wages for spinning fell from 83 in 1931 to 69 in 1933. Similarly the index number of wages for weaving fell from 79 in 1931 to 67 in 1933. The average for the whole Textile industry fell from 83·7 in 1931 to 77·7 in 1933. Thus instead of there being a rise in wages as might have been expected under depreciating exchange, there was actually to the end of 1933 a fall giving to the Japanese exporting industry great competitive advantage over its foreign rivals in other countries. We have no evidence to show that the scale of wages has risen since then to its former figure. This being so, we may estimate the advantage which Japan still derives from depreciated exchange in the Indian market. Roughly speaking, the Yen exchange was Rs. 137 (=Y100) in 1931, before Japan went off the

gold standard, against Rs. 78 to-day. This means that a Japanese article worth Rs. 78 to-day would be priced at Rs. 137 if there had been no exchange depreciation, *i.e.*, Japanese prices ought to have been 75 per cent. higher on account of this factor. It is true that Japan laid in large stocks of wool and other raw materials just before it went off the gold standard, but this special consideration has disappeared and therefore part of this 75 per cent. advantage has been neutralised by the increased prices in Yen which Japan has to pay for Australian wool.

Power to be taken to levy exchange compensation duty.

102. We believe it to be safe to put the average material cost in the price of a finished woollen article at not less than 50 per cent. If the increase in Japanese costs due to enhanced material cost be deducted, the net advantage of Japan on account of depreciated exchange is reduced from 75 to 37½ per cent. In estimating therefore the amount of duty which is required to equate our fair selling prices to the Japanese import prices, we may take this factor into consideration. This means that the total duty required against Japan should be reduced by 37½ per cent. in order to arrive at the normal protective duty required against Japanese imports. We therefore think it desirable to split the duty of 77 per cent. which we have stated to be necessary on worsted imports into two parts, 40 per cent. being considered to be the general protection required against all countries (including Japan) and 37 per cent. required to compensate for the exchange advantage of Japan. We recommend that legislative powers should be taken by Government to levy an exchange compensation duty whenever such is found to be required over and above the normal protective duty, against all countries in which exchange depreciation exists at present or may take place in the future. By normal protective duty we mean that rate of duty imposed for the protection of an Indian industry, ordinarily determined on a comparison of the fair selling prices of the Indian industry with the import prices of competing countries, when those prices are undisturbed by extraordinary exchange conditions and by export subsidies. No exchange compensation duty should be required to bring the total impost on the imported goods to a level higher than is necessary to cover the difference between import prices and the fair selling prices of the Indian industry. Such a duty may be required in the near future against other countries of the " Gold Block ", should any of these countries be compelled to depart from the gold standard.

Immediate application of this duty not contemplated on 'woollens'.

103. No exchange compensation duty in addition to the duty proposed on woollens will be required at present against Japan, as any addition to the protective duty proposed against all countries would exceed the level necessary to protect against Japan. Germany and Italy at present use their exchange control for subsidising exports. We have no means of determining, as we have said above, the extent to which they

do so in the case of the wool industry. If subsequent examination reveals that they are doing so, the exchange compensation duty should be made applicable to them also, provided, as we have said, that the normal protective duty *plus* the exchange compensation duty shall not exceed the difference which may exist between the Indian fair selling prices assumed by us and the import prices. At present Japan also has a Foreign Exchange Control under the law passed on May 1st, 1933, but though the powers assumed under it by the Ministry of Finance are extensive, we have reason to believe that it is being used for the prevention of the flight of Japanese capital rather than for any other purpose. Should it, however, be employed in the future for subsidising exports, we recommend that the authority to impose an exchange compensation duty should be used to meet the new situation. We believe this method to be the most satisfactory way of dealing with the problem that we have propounded in paragraph 100. But we have doubts of the legal interpretation of Articles 2 and 3 of the Indo-Japanese Convention of 1934, and the consequent effect of these articles on the proposals we are making. And we must consequently leave the suggestion for more competent authority.

Artificial stimulation of exports.

104. Currency depreciation and exchange control are not the only methods by which exports may be encouraged. There is the system of bounties (though this appears to be little favoured by Governments to-day) against which Government have in the Tariff Act already authority to take action, and indirect subsidy by cartels. We recommend that opportunity should be taken to impose a compensating duty on any method of artificial stimulation of exports which may have the effect of unfair competition with the Indian Industry.

CHAPTER VII.

Worsted Yarns.

105. The thorny problem of yarns requires separate treatment, thorny because while the Mills claim protection the life of the young hosiery industry and the prosperity of a section of the handloom shawl industry depends on the supply of cheap worsted yarns. It is a question therefore of prime importance whether in the event of a protective duty being put on foreign yarn, or of a quota restricting imports, the Indian producers will be in a position to supply adequate quantities of a first class yarn at a low price. The figures of imports of worsted yarn and knitting wool (which is also generally a worsted product) are given in Chapter III. The figures speak for themselves. In knitting wool the United Kingdom and Japan now divide the import market: Germany and France have disappeared. Since 1932 with the help of preference the United Kingdom has increased its imports from 160 thousand to 227 thousand pounds. In the same period Japanese imports have risen from 50 thousand to 1,350 thousand pounds. Indian mills have a considerable market for these wools but their production has been largely confined to low quality wools of crossbred type and since the Japanese knitting wool is of high class merino and put on the market at prices well below the selling price of the Indian mills' crossbred product, they have not been able to turn their production to finer qualities.

Present position.

106. In weaving yarn (which includes hosiery yarn) the supremacy of the United Kingdom was first challenged by Poland, who from 1930 to 1933 sent increasing quantities of crossbred as well as of fine merino yarn at low rates, which became extremely popular in Upper India and gave a great fillip to a section of the handloom industry. In 1932-33 France sent greatly increased quantities. Their place has now been taken by Japan, who since 1931-32 has increased her imports from *nil* to 1,350,000 lbs. These yarns are all of merino quality, and are now used by the hosiery and handlooms of Upper India practically to the exclusion of all other mill spun yarns, except for products of the very highest quality of hosiery for which the United Kingdom yarns are preferred. We have been able to obtain nominal quotations only of the price of merino quality yarns from any other country.

Weaving yarn.

107. Coming to Indian production, there is one small worsted spinning mill in Bombay. Of the 4 Indian worsted spinning and weaving mills which are working to-day we believe that only one is equipped for the supply of yarn to the market, that is to say, in excess of its own requirements, when all weaving and knitting machines are working to full capacity. The others can provide surplus yarn by working double shift or by allowing weaving or

Indian production.

hosiery plant to remain idle. The single shift* capacity of the Indian mills is put by the joint representation at 8 million pounds of 2/20s. Our estimate is much lower, *viz.*, 5,155,000 [based on 33,696 spindles (including the closed mills) spinning 8 ozs. a day]. The output of the 2 mills, when working single shift, available for the market is about 550,000 lbs. and another 300,000 lbs. would be available if the Ambernath mill re-opened. A large proportion of the hosiery mills now use a count of 2/32s and the common count for handloom weaving purposes is 64s. The estimate therefore requires to be based on a count somewhat higher than 2/20s, and this will reduce the supply. Until recently the Indian production was mainly of crossbred types, which is unacceptable to the manufacturers of the finer hosiery to which the soft merino yarn has now accustomed them and unsuitable for the finest handloom products. Not all the mills are equipped for the production of the finest merino yarn. The imports of worsted yarn during 1934-35 amounted to 1,638,000 lbs. We have no means of distinguishing within this figure woollen from worsted yarn, nor within worsteds, hosiery from weaving yarn*. From the United Kingdom in 1933 out of the combined imports of 684,000 lbs. (weaving and knitting yarn) 170,000 lbs. were woollen. We do not know the proportions of other countries. We have reason to suppose that imports of woollen yarns are small. And so far as we are able to judge from the estimates of consumption, the bulk of the worsted yarn imported is for hosiery (perhaps 70 per cent. or more). In the absence of any statistics of the counts imported from the various countries, no conclusions can safely be drawn from the reported average values as to competitive prices. We must rely for these on the market quotations.

Prices of imported yarn.

108. In the accompanying Table we give the c.i.f. prices of imported yarn in some of the most popular hosiery, weaving and knitting counts compared with the fair selling price of Indian yarns. The duty payable at present is 30 per cent. on hosiery and weaving yarns and knitting wool (United Kingdom 20 per cent.) and 35 per cent. on woollen yarn "not otherwise specified"† (United Kingdom 25 per cent.). The costings of Indian mills are based on existing conditions in the mill industry. We have reason to suppose that manufacturing costs of smaller spinning mills might be considerably less.

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* Hosiery yarn is less tightly twisted, in order to meet the demand for softness. It should be noted that the heading of the accounts of Sea Borne Trade is misleading in that the figures include imports of woollen yarn not worsted only.

† Note.—Imports under this head are reported to be negligible.

TABLE XXX.

Description of yarn.	Bradford top quality and price c.i.f. December 1934.		United Kingdom c.i.f.	Japan c.i.f.*	Poland c.i.f.	Indian.	
	Quality.	Pence. Per lb.				Manufacturing cost.	Fair selling price.
1	2	3	4	5	6	7	8
			Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Weaving and Hosiery Yarn.							
Merino 2/20s	60s	23	2 1 6†	1 4 6	1 15 4	2 0 6	2 3 8
Merino 2/32s	64s	23	2 4 10†	1 6 4	..	2 4 6	2 7 11
Merino 2/48s	64s	23·50	2 10 2‡	1 8 6	2 6 8	2 9 1	2 13 0
Merino 2/64s	70s	28	3 7 4†	1 11 3	2 13 4	3 1 0	3 5 6
Knitting Yarn.							
Merino 4/13s (white)	60s	..	..	1 2 0	..	1 14 1	2 3 3
Merino 4/13s (dyed)	..	..	2 4 10†	1 4 0	..	2 0 10	2 6 4
Weaving and Hosiery Yarn.							
Crossbred 2/32s (white)	50s	..	..	..	..	1 10 4	1 13 1

* Japanese prices are average of Bombay and Karachi quotation, April/May.
† On costing. No quotation available.
‡ Bazar quotation: nominal only; no imports recorded.

Table XXX—*contd.*

Description of yarn.	Bradford top quality and price c.i.f. December 1934.		United Kingdom c.i.f.	Japan c.i.f.*	Poland c.i.f.	Indian.	
	Quality.	Pence Per lb.				Manufacturing cost.	Fair selling price.
1	2	3	4	5	6	7	8
Knitting Yarn.			Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Crossbred 4/7s	56s—60s	..	..	..	..	1 10 4	1 15 2 (white).
						1 13 1	2 2 1 (dyed).
Ditto	56s	..	..	..	..	1 6 11	1 11 6 (white).
						1 9 8	1 14 6 (dyed).
Ditto	46s	..	..	..	..	1 0 1	1 4 1 (white).
						1 2 10	1 7 1 (dyed).
Crossbred 4/7s—4/9s (white)	Not known	..	0 13 4	..	..	..	..
Crossbred 4/7s—4/9s (dyed)	Do.	..	1 4 0	..	..	..	..
Crossbred 4/9s Superior	Do.	..	1 7 8	..	..	..	..
Crossbred 4/13s—Colours in hank	Do.	..	1 6 8	..	..	..	..
Ditto	Do.	..	1 10 9	..	..	..	..
Superior in hank	Do.	..	1 14 2	..	..	..	..

* Japanese prices are average of Bombay and Karachi quotation, April/May.

Japan virtually the only competitor in the finest counts.

109. We have obtained 2 sets of Japanese prices c.i.f., Bombay and c.i.f., Karachi. For a reason which we have not been able to discover the latter are throughout lower than the former. It is suggested that the yarn going to Karachi which serves the Amritsar market is of lower quality than the other, but we have not been able to get evidence of this. The Polish prices relate to Bombay only, as it is said none is now coming into the Karachi market. In regard to British prices we have in merino qualities only a few nominal quotations: these have been supplemented by c.i.f. prices worked out on their known costs. The difference between the average Karachi—Bombay quotations for the current month and the future fair selling price of Indian weaving yarn of merino quality varies from As. 15 to Re. 1-10 per lb., the reason for the increasing difference as the counts go finer being that the differential cost per count is far less in Japanese yarn than in Indian or United Kingdom or any Continental yarn; that is to say, Japanese competition is severest in the higher counts. There would be no way of meeting this but by a duty increasing with the fineness of the count. The Table shows that the Indian mills can compete to-day almost on level terms with the United Kingdom: and the only Continental prices that we have been able to obtain—of Poland—are from 13 to 18 per cent. below their fair selling price. In the absence of other competitive prices we cannot rely on this evidence of what would happen if Japan were not in the market, but the fact is that so far as we can ascertain to-day, Japan is virtually the only competitor in the finest counts. From the fair selling price of the crossbred quality it will be seen that the Japanese price of merino quality is well below that of the Indian mills made from crossbred wools.

Position of the handloom and small scale factory industries.

110. We now come to the problem of whether a duty on worsted yarn in the present circumstances of the industry is justifiable or not. In this matter the interests of the handloom and small scale factory industries are divergent from those of the mill industry. We believe that in proposing protection to the mill industry based on the cost of production (including yarn cost) of their finished goods, and by leaving yarn subject only to revenue duty we shall be effecting a fair compromise, with a bias in favour of the small scale industry. The handloom shawl industry is better able to-day to meet foreign competition than the mills, but its success is based upon the cheapness of yarn. To the extent to which our proposals to protect the mills enhance the protection against foreign shawls the handloom will benefit also: but we do not think that the further encouragement of the smaller industry is likely to hamper seriously the expansion of the mill production.

111. We are proposing to protect the small scale hosiery industry on the basis of the present day cost of its yarn. Increase in

the cost of yarn must mean a further compensatory protection at the expense of the consumer. In order to bring up the price of Japanese yarn to the Indian manufacturing cost a duty ranging from 58 to 79 per cent. is required. Since the yarn cost in the price of the finished article amounts to about 50 per cent. or more, a further addition to the proposed protective duties of from 29 to 39 per cent. would be needed. The hosiery industry has been built up on the cheapness of its product and we fear that the increase of price which must certainly follow duties on this scale, in spite of internal competition, is likely seriously to curtail demand. In fact there is no means of protecting at once the Hosiery industry and the spinning side of the mill industry except by greatly overprotecting hosiery.

Small scale hosiery industry.

112. We are well aware that a proposal to omit yarn from a scheme of protection to mills must at first sight appear anomalous. It is argued that the import of yarn at a price lower than their manufacturing costs would be depriving them of the protection given by the proposed duties on their finished goods, by encouraging the establishment of a weaving industry based on the import of foreign yarn. It would be impossible, it is said, for the hosiery departments of the mills to compete in the same market as the small hosiery factories if the latter were able to use a yarn costing much less than the manufacturing costs of the mill, so that a mill equipped for spinning yarn for a hosiery department would neither be able to use the yarn nor find a market for it.

Objection to omitting yarn from scheme of protection examined.

113. But anomalous conditions call for anomalous remedies. Although mills from time to time find it convenient to dispose of surplus yarn, there exists no independent spinning industry in India. The industry is organised for the supply of yarn to weaving departments of the same mill: and this factor is taken fully into consideration in determining the protection required for the finished product. We have received a number of complaints from would-be buyers of the difficulty of obtaining yarn, when, and in the quantities, wanted. It seems likely that the effect of protection of yarn would be to encourage the establishment of independent spinners, since the normal surplus supply of Indian yarn at present is quite inadequate to meet the demand. But we doubt if protection can be justified on this ground. Certainly if we decided to treat the spinning side of the Industry as a separate industry we should have to hold that the conditions required for a claim to protection are not satisfied. The answer to the conundrum given by the Mills themselves is that without protection of yarn they may be driven to the use of imported yarn. If they do, they may be able to compete more successfully with the finer handloom products, and consequently also with imported worsted goods, for to the extent to which they use imported yarn, the protective duties which we have proposed will be excessive in respect of mill,

No independent spinning industry in India.

production. But it must be doubted whether the use of foreign yarn (or rather Japanese yarn, for the Mills can compete with other yarns) can ever be possible on the scale apparently contemplated. Not only would the demand be on a scale out of all proportion with the past and present, but it is not easily credible that the manufacturers of that country would be content to supply unlimited quantities of a semi-manufactured material intended to be used in competition with their own weaving industry. Should it be found that the fear is well-founded and that new weaving factories spring up to the danger of the established industry, the question may be reconsidered. At present our view is that the encouragement will be restricted to the handloom and small factories already in existence, and as we have said, we do not regard their expansion as a danger to the mill industry which will be sharing the same general protection to their finished goods, with a much wider range of output. We believe that the small scale hosiery industry will be able to hold its own, even if the mills take to the use of imported yarn. The market would appear to be too extensive for mill production to be able gravely to affect the small scale but more widely spread industry with its inherent advantages.

No protective duty recommended.

114. The imports of knitting wool are somewhat greater than those of other yarns. It is used, evidently, for domestic knitting on a very considerable scale, and we have been informed that throughout the country a great many cottagers with one or two machines sell the knitted product. But except from yarn merchants we have been able to obtain no information about the industry. The consumption of yarn is the chief evidence of its existence: and the bulk of the yarn is imported. We have come to the conclusion that the interests of the handloom and the hosiery industry require us to recommend that no protective duty should be imposed on any form of yarn.

CHAPTER VIII.

The Handloom and Small Factory Industry.

Handloom industry not less important than mill industry.

115. We have already in the course of this report given some description of the handloom industry, its extent, the nature of its products and its relationship with the mill industry. We have gathered our information from reports of the Industries Departments of the local Governments and of those States in which the industry is of importance. In the States of Kashmir and Mysore the industry is of greater relative importance than in most parts of British India excepting the Punjab and the United Provinces. We have referred to the excellent pamphlet prepared by the Mysore administration who have gathered for the purpose some extremely interesting information about the condition of the industry and its methods of working and marketing, much of which is applicable to other parts of India. In this Chapter we shall not attempt to do more than to record such statistics as we think are fairly reliable and to give our impressions of the general condition of the industry. If we have for convenience occasionally included this branch of the industry among "subsidiary industries" we would not have it thought that we intend thereby to detract from its importance. We have already given our opinion that it is by no means less important than the mill industry, and the interests of the handloom weavers have been before us in all the recommendations we have hitherto made.

Its extent and output.

116. There are signs that in most provinces the statistics of the woollen industry have had less attention devoted to them than those of the larger and more important cotton industry. This is not unnatural but it has somewhat hampered us in the collection of material. We have to some extent supplemented the provincial reports by oral examination of Directors of Industries and have utilized the figures supplied by some provinces by applying them to others in which we know the conditions are not dissimilar. In Statement I in Chapter II we gave our estimates of the extent and output of the industry as a whole: in the following Tables we give similar figures province by province:—

TABLE XXXI.—*Consolidated tables relating to the Handloom and Small Factory Industry.*

Province or State.	Small Factories.				Cottages.		Labour.			
	Power.	Looms.	Non-power.	Looms.	Weaving looms.	Carpet looms.	Power factories.	Non-power factories.	Cottages.	Total.
1	2	3	4	5	6	7	8	9	10	11
Punjab	5	84	15	750	3,720 *plus* Kulu looms.	60	255	1,600	12,230	14,085
United Provinces	1 weaving. 3 spinning.	..	8 weaving. 16 carpet.	..	7,500 blanket looms. 12,000 portable.	5,000	..	..	..	100,000
North-West Frontier Province	*nil*	..	..	..	..	..	..	..	..	2,350
Central Provinces	*nil*	..	1 carpet.	..	3,280	..	..	35	5,357	5,392
Bihar and Orissa	*nil*	..	..	..	2,283	..	..	..	..	5,700
Bengal	No estimates.									
Bombay	*nil*	..	14 carpet.	160	7,100	..	..	100	19,100	19,200
Madras	2 carpet.	..	23 carpet.	..	4,572	686	..	700	15,000	15,700
Mysore	1 carpet.	148	6 carpet.	..	7,505	20	..	..	..	19,298
Kashmir	1 carpet.	..	4 carpet.	..	29,000	..	30	1,872	149,470	151,372
Hyderabad	*nil*	..	..	..	14,620	..	..	..	..	26,700
Gwalior	*nil*	..	1 carpet.	..	..	..	..	..	..	500
Other States					No estimates.					
Total	13	232	88	910	91,580 *plus* Kulu.	5,766	285	4,307	201,157	360,297

NOTE.—Blanks imply that no estimates have been made.

Table XXXII.

Province or State.	Raw wool consumed.	Finished goods (including those made from mill-spun yarn).			Remarks.
		Kamblis and shawls.	Piecegoods.	Carpets and Druggets.	
	Lbs.	Lbs.	Lbs.	Lbs.	
Punjab	1,800,000	1,400,000	500,000	4,000	Products of Kulu Valley not included and wool consumption probably under-estimated.
United Provinces	5,000,000	1,034,000	750,000	650,000	Wool consumption includes Jails.
North-West Frontier Province	50,000	..	47,000	..	Blankets and piecegoods combined.
Bihar and Orissa	1,500,000	730,000	*nil*	Unknown.	
Central Provinces	738,000	675,000	*nil*	Unknown.	Number 246,000 and weight estimated.
Bengal		No estimates.			
Bombay	3,720,000	2,660,000	*nil*	50,000	
Madras	4,500,000	1,750,000	..	400,000	Madras is said to produce 15 million lbs. of wool. But its use cannot be traced.
Mysore	2,480,000	1,900,000	..	400,000	
Kashmir	3,830,000	..	3,718,000	288,000	
Hyderabad	..	..	..	..	Values only given. Output Rs. 6,31,000.
Other States		No estimates.			
Total	23,618,000	10,149,000	5,015,000	1,792,000	

Note.—The output of carpets is much under-estimated and the production of the large scale carpet factories is unknown. The export of carpets in 1934-35 amounted to 10,093,000 lbs. valued at Rs. 89,81,000.

Woollen and cotton Industries compared.

117. Whereas in the cotton industry there are over 2,250,000 looms, the total number of woollen looms probably does not greatly exceed 100,000. The estimate of labour employed in the woollen industry amounts to 360,000 and if the blanks in our estimates could be filled up might perhaps reach 400,000. There is probably a greater proportion of persons actually employed per loom in the woollen than in the cotton industry, for in the woollen industry the great bulk of the yarn used is handspun so that there is an average of about 3 or more spinners to every weaver. In the North of India the proportion of spinners is greater, for spinning is more widely diffused, and the counts spun are lighter. In the greater part of India the demand is seasonal and consequently the work can usually support a weaver and his family only for part of the year. In some provinces the weavers are a separate caste or profession and if they cannot obtain work for the whole year, it means that they are driven to find casual employment or remain idle. In some places woollen weaving is a part time occupation only and is combined with the pursuit of agriculture or sheep breeding. But on the whole we think that woollen weaving is more of a specialized occupation than is cotton weaving. The relative importance of the industry as compared with cotton increases as we approach tracts where the winters are cold, until we get to the hills where woollen wear can be used all the year round and the woollen industry becomes of greater importance than other textiles. And as we have already pointed out, the nature of the raw material follows more or less the same climatic lines. For the quality of wool improves directly with the provision of good grazing, the absence of which for a good part of the year in the hot plains saps the strength of the sheep and lays them open to the ravages of disease.

Varieties of articles manufactured.

118. This brief description illustrates the essentially local character of the industry and shows how climate and grazing facilities combined account for the difference in the types of product which are manufactured. We have already described how the manufacture in the plains of the West, South and East is practically confined to coarse blankets or rugs known as 'kamblis' which may vary from the rough type made of unscoured wool which is equally serviceable as waterproof and blanket, to a superior kind which is used as a warm covering both in the villages and small towns. In the North, that is to say, in the United Provinces, the Punjab and Kashmir, as well as in parts of Mysore, we find other types of product. We have tweeds of various qualities, the rough puttoo cloth of the hills, all of which can be classed as woollens, and shawls, chadars and saris made of finer material, much of which is of worsted quality. Most of the tweeds are made of handspun yarn of local wools, but in the North we find a recent tendency to the use of mill spun yarns which give a more regular structure to the cloth and which, owing to a more careful selection of the blend of wool, can be given a superior finish. This yarn is mostly

supplied by those woollen mills which cater chiefly for the carpet industry, and recently some spinning plant has been set up by co-operative societies in the United Provinces. Some of this yarn is also being used in the preparation of a better type of kambli. In what we have called the worsted qualities the yarn is still to some extent handspun from the best hill wools. This is particularly true of Kashmir where fine handspun yarn is a speciality. In Kashmir only can it be said that there is a real market for yarn. Elsewhere woollen yarns are sold in the market to some extent. Indeed it has been said that the price the mills can obtain for their woollen yarn is to some extent determined by the price of the handspun yarn. But we think it is generally true to say that handspun yarn is for the most part made by the weavers' own family for their own consumption. The handspun yarn (except in Kashmir) is of coarse counts only, ranging from 3 to 6 skeins. The prices we have been given do not relate to the counts and cover such wide variations that no useful deduction can be drawn from them. The pashmina yarn of Kashmir is in the nature of a worsted yarn and is spun to very fine counts, as high as 108s (worsted counts) having been recorded. The following average prices from Kashmir indicate that yarn prices have fallen less than the general level and that the depression in this industry must be due rather to diminution of demand.

TABLE XXXIII.

—	1928.	1929.	1930.	1931.	1932.	1933.	1934.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
Twisted yarn for warp . .	1 12	1 12	1 12	1 10	1 8	1 6	1 6
Single yarn for weft . .	1 0	0 15	0 15	0 13	0 12	0 11	0 11

119. The carding of wool in India is carried out by means of a bow which in Northern India has been developed into a more efficient instrument known as the *pinjan* or *dhanuk*. Spinning is done both by the takli, which can be carried about by the shepherds, or by the charkha, a spinning wheel usually operated by the women of the family. We shall make no attempt to estimate the number of these instruments. Looms are of various kinds, the portable loom of the nomadic hill tribes, the common pit loom used for making blankets throughout India, and the more efficient machine which has developed from this, for the spinning of fine shawls and chadars in the North. In the small factories of the Punjab and the United Provinces an improved fly shuttle loom is in common use. Our estimates of the number of looms are based on information supplied by the Directors of Industries. We believe it is more accurate in the case of the Punjab and the United Provinces where the industry is more developed than in other parts of India. No greater accuracy than this can be claimed

Employees.

for the total number of employees. The census figures unfortunately do not help us. The estimates of the district inspectors are based to some extent on a special sample census taken in typical districts, but for the rest, except in Mysore and Kashmir, they are derived from the figures of looms and the known number of employees required for the preliminary processes of carding and spinning. Table No. I (paragraph 19) shows how the total number of workers is distributed.

Organization of the industry.

120. The term " cottage industry " is commonly applied to the handloom industry as a whole. It seems desirable to explain the organisation of the industry in greater detail. A true cottage industry implies production by a worker working in his own cottage with the help of his family, with his own appliances and with sufficient capital or credit to buy his own raw material, sell his output and generally to undertake the risks of his own business. Under the pressure of the economic conditions of to-day this form of cottage industry is tending to become less common except perhaps in the Kulu and Kumaon Valleys of the North and similar areas of Kashmir where almost every family of the hill tribes, whether settled or still nomadic, possesses its own looms, spins its own yarn and probably grows its own wool. Elsewhere throughout India there is an increasing tendency for the weaver to be financed from the beginning to the end in all his operations by the local *bania* or *mahajan*, though the degree of independence of the weaver naturally varies greatly. In many places the functions of supplying capital and raw material, marketing of the finished product, in fact the general risks of the undertaking, have passed into the hands of these middlemen, and here the status of the cottage worker has been reduced from independence to that of a wage earner, though working in his own cottage and perhaps still owning his appliances. In the more developed areas of the Punjab and the United Provinces this development has been carried yet further and the industry is very largely in the hands of small capitalists (who are sometimes themselves successful weavers) who have either organised the industry into small scale factories or, as is still common, for example in the carpet industry, leave their employees to continue working in their own cottages. In Kashmir a successful organization of this type is that of the All-India Spinners' Association, which working in collaboration with the State Industries Department, both advises in the production and assists in marketing of handwoven goods in a number of towns in India. Small factories of this type seem to have existed in the Punjab and in the United Provinces for a long period. We find that in the early years of the present century the number of hands employed in such factories was said to be as many as 6,000. In those days they were chiefly using a yarn known as raffle yarn imported from Germany. We have been given to understand that power looms are more economical to work than handlooms even with the improvements which have been made in fly shuttle looms. We have found in the small scale factories in the Punjab an increasing tendency to replace hand labour by power. The

tendency is kept in check partly by the amount of capital available to the owners and, at any rate in some instances, a reason is that the retention of the handlooms enables them to give greater employment to hereditary weavers. These small scale factories believe that in certain respects, notably in the saving of overhead charges, they have an advantage over the large scale mill industry. Their optimism is partly due undoubtedly to the cheap supplies of yarn which they are able to obtain at present, and their situation enables them to study the changes of fashion and taste in a manner which is not possible to the mass production of the mills. More attention is being paid to finish. There are two establishments in Amritsar engaged solely in this operation which either do the finishing for the manufacturers on payment or buy the unfinished material for finishing and sale at their own risk. This seems to us to be a movement in the right direction. Most of the looms can be and are generally used in the off-season for weaving silk, or artificial silk and woollen mixtures.

Marketing.

121. The marketing of the finished products of these factories is generally conducted on the same lines as that of mills, that is to say, through travelling or fixed commission agents. A large portion of the total output thus finds its way to central markets such as Amritsar, Bombay and Calcutta, and some may be found in all towns where swadeshi stores exist.

Use of imported yarn.

122. It is difficult to make any estimate of the amount of imported yarn used for weaving. We have explained that the Customs records do not distinguish between weaving and hosiery yarns. Of the 9 lakhs pounds imported in 1933-34 and the 16 lakhs imported in 1934-35 probably as much as 70 per cent. or more, as we have explained in the Section on Yarns, goes to the hosiery industry. This leaves about 3 lakhs pounds to 4½ lakhs pounds for the weavers. These figures fit in roughly with the figures of output which we have given, which must relate rather to 1933-34 than to 1934-35, and it seems possible that in the latter year the proportion going to hosiery is even higher. Some of the imported yarn goes into the manufacture of the superior quality of carpets, but the quantity is not very great. We have explained elsewhere that the yarns used to-day are almost entirely Japanese: Polish and French yarns which came in considerable quantities a few years ago have almost disappeared. Indian mills have a fair market in crossbred qualities but their sales of merino yarn are now very small.

Different directions in which industry requires help.

123. The unorganised cottage industry produces primarily for the simple needs of the rural classes. The production of higher class goods which may be classed as woollens is to some extent a recent development. The tweeds and puttoos made of handspun yarn have a market of their own, but are meeting with increasing competition, as we have said, from the shoddy fabrics of Italy and Poland. But some of them, particularly those being made from the millspun woollen yarn, are of

very good quality requiring only a better finish to compete with similar mill made products. There has always, however, been from medieval times an important demand from the upper Indian classes for high class goods of what we have called the worsted type such as shawls, 'alwans' and other pashmina fabrics. This demand has, however, declined with changes in taste and the competition of machine made articles, although a certain demand for the old fashioned Indian made fabrics of homespun yarn still persists. The introduction of a fine merino yarn at a cheap price is now reviving this branch of the industry. The counts commonly used are as high as 64s and even higher. The recent increases in the Customs tariff are also reported to have helped them in marketing their products at a fair price. With these advantages, it would appear that the inherited capacity of the North Indian and Kashmir weaver will enable the industry to survive. The most severe effects of the competition both of foreign imports and of Indian mills are to be found in the woollen side of the industry, namely, in blankets and tweeds. We have already dealt at some length with this aspect of the problem in our Chapter IV and it is not necessary to say anything more in regard to blankets. In regard to the tweeds and other woollen cloths we believe that the action that we have proposed in regard to imports of coarse shoddy materials of Italy and Poland will be of material assistance to the handloom industry. The competition with the Indian mills in this class of goods will, we think, always continue. In this line of production the handloom has no particular advantages except in the sentimental demand for handspun and hand woven materials, a purely local demand based on local tastes. We think that the hope of the industry must lie in the help which can be given by the Industries departments of local Governments and by such organization as the All-India Spinners Association and by the gradual improvement in the quality of Indian wools. Technical advice and assistance in marketing arrangements are doing much to foster the sister cotton industry, and we believe that similar advice and assistance, particularly in the finishing of woollen goods, and help both in keeping weavers in touch with the demands of the market and in disposing of their manufactures without the intervention of the grasping middleman, should be equally effective in this industry.

Prices.

124. We give in the following Tables a selection of prices which have been obtained from various parts of India for typical woollen products over the course of the last few years:—

TABLE XXXIV.—*Kashmir.*

—	1928.	1929.	1930.	1931.	1932.	1933.	1934.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Cost price . .	100 0 0	100 0 0	95 0 0	80 0 0	60 0 0	65 0 0	75 0 0
Sale price . .	100 0 0	95 0 0	90 0 0	80 0 0	75 0 0	75 0 0	75 0 0

Table XXXIV.—*Kashmir.*

—	1928.	1929.	1930.	1931.	1932.	1933.	1934.
Pashmina cloth shawl.							
(i) *Coating.*							
Cost price per yd. .	4 8 0	4 8 0	4 8 0	4 5 0	3 5 0	3 6 0	3 6 0
Sale price per yd. .	5 0 0	5 0 0	4 15 0	4 9 0	3 10 0	3 10 0	3 10 0
(ii) *Alwan superior.*							
Cost price per yd. .	6 11 0	6 11 0	6 11 0	6 4 0	5 9 0	5 5 9	5 9 0
Sale price per yd. .	7 1 0	7 1 0	7 1 0	6 11 0	5 10 0	5 10 0	5 15 0
Woollens (tweeds).							
Cost price . .	1 7 6	1 7 6	1 8 5	1 5 9	1 0 6	0 14 0	0 14 0
Sale price . .	1 10 0	1 10 0	1 11 0	1 8 0	1 1 8	0 15 0	0 15 0
Sopore puttoo.							
Cost price . .	0 9 0	0 9 0	0 9 0	0 6 0	0 6 0	0 4 6	0 4 6
Sale price . .	0 10 6	0 10 6	0 10 6	0 7 0	0 7 0	0 5 0	0 5 0

Table XXXV.—*Mysore.*

Average annual price of 'kamblis' since 1918-19.

Year.	Nidugal kambli, 114″ × 54″, weight 120 tolas.	Tenagal kambli, 102″ × 4 6″, weight 108 tolas.	Bandey kambli, 96″ × 45″, weight 90 tolas.	Bandey kambli, 80″ × 42″, weight 75 tolas.	Circuit kambli, 72″ × 36″, weight 65 tolas.	Average price per lb. of kambli.
	As.	As.	As.	As.	As.	Rs. A. P.
1918-19	52	40	32	28	24	0 15 4
1919-20	44	36	32	28	24	0 14 4
1920-21	47	40	36	32	28	1 0 0
1921-22	40	28	30	28	22	0 12 11
1922-23	46	34	32	28	24	0 14 4
1923-24	43	32	30	26	22	0 13 4
1924-25	44	32	30	26	22	0 13 5
1925-26	40	36	32	28	24	0 14 0
1926-27	36	30	28	24	18	0 11 11
1927-28	40	28	26	22	16	0 11 6
1928-29	36	28	26	22	16	0 11 2
1929-30	36	28	24	20	16	0 10 10
1930-31	34	26	22	18	14	0 9 11
1931-32	28	22	18	14	13	0 8 4
1932-33	28	22	18	14	13	0 8 4
1933-34	28	22	18	14	13	0 8 4
1934-35 (present prices) .	26	21	17	15	13	0 8 0

Bombay also has given us a statement for 3 typical kamblis of white, black, and mixed wools which show a fall in prices from Rs. 2-8, Rs. 2 and Re. 1-8, respectively, in 1928 to Re. 1-4, Re. 1-4 and Re. 1-2 in 1934. The weights in the latter year have been reduced by ¼ to ½ lb. in order to retain a profit of from 4 annas to 3 annas a kambli.

Cost of production.

125. Our information about the cost of production is meagre and from the nature of things somewhat theoretical when families who are not paid cash wages are engaged in joint production, and we think that little reliance can be placed on any comparison of cost and selling price. The industry varies greatly in its conditions. There is evidence in abundance that prices have fallen but the series of prices which have been given us do not show that prices have fallen in any greater proportion than the price of raw material or than the general price level, except in the lowest class of goods. We have little information about the level of wages as compared with past years. And we think no valid conclusions can be drawn from such figures as have been given to us. For where the whole family is engaged in the same production wages can only be nominally estimated. In the unorganized industry profits are equivalent to wages in the organized section and it is clear that though prices may not have fallen disproportionately, profits vary with the volume of output. In Kashmir it is reported that the fall in the wages of Pashmina weavers and spinners is much greater than that in the general level of prices. In the carpet and 'gabba' making industries in which foreign competition is less noticeable, there has been a greater resistance to the decline.

TABLE XXXVI.

—	1928.	1929.	1930.	1931.	1932.	1933.	1934.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Carpet . .	0 12 0	0 12 0	0 12 0	0 8 0	0 8 0	0 8 0	0 8 0
Gabba . .	0 8 0	0 8 0	0 8 0	0 5 0	0 5 0	0 5 0	0 6 0
Pashmina weavers.	1 4 0	1 0 0	1 0 0	0 12 0	0 8 0	0 6 0	0 6 0
Pashmina spinners	0 5 0	0 2 6	0 2 6	0 2 0	0 1 6	0 1 6	0 1 8

The Mysore Department of Industries estimates the average wage or profit to be made on a blanket loom to be not more than Rs. 7-8 a month which is less than Rs. 10, their estimate of the minimum cost of living. On the other hand Hyderabad puts the monthly profit per loom at Rs. 10.

TABLE XXXVII.

Name of Province.	Carding wages.	Spinning wages.	Weaving wages for — Blanket.	Weaving wages for — Shawl.	Weaving wages for — Piecegoods.	Factory wages.	Remarks.
Punjab	..	2 to 3 annas per seer blanket yarn. 1 anna 6 pies per seer carpet yarn. Average daily wage 1 anna 6 pies.	4 to 8 annas per blanket. Average daily rate 8 annas per day.	Rs. 10 to Rs 12 per month in rural area and Rs. 15 to Rs. 20 per month in bigger centres.	Rs. 15 to Rs. 20 per month.	Rs. 15 to Rs. 20 non-power factories and Rs. 20 to Rs. 30 for power factories or one anna per yard for plain cloth and 1½ to 2 annas for fancy cloth.	Pashmina weavers get more than wool weavers. Women and children get Rs. 4 to Rs. 6 per mensem.
United Provinces	..	....	4 to 5 annas per day	10 annas per day	..	....	
Bombay	1 anna per lb. or 3 to 4 annas per day.	1 anna 6 pies per lb. or 4 annas per day.	....	....	..	....	Wool sorting 6 annas per lb. or 2 to 3 annas per day.
Kashmir	..	1 anna 3 pies per day	Pashmina and Gabba 6 annas per day.	....	..	Power factories 14 annas per day and 8 annas per day carpet non-power factories.	Figures given by the All India Spinners Association—Spinning 1 anna 6 pies. Weaving 4 annas to 8 annas per day.
Mysore	..	1 to 4 annas per lb. according to fineness of the yarn. Average daily wage 4 annas.	....	3 annas to Re. 1-8 according to fineness. Average daily wage 6 to 8 annas.	..	9 to 10 annas per square yard.	
Madras	4 pies to 12 pies per lb.	6 pies to 1½ annas per lb.	8 annas	....	..	12 annas.	
Bengal	..	....	2 annas to 8 annas per day.	...	.	....	
Central Provinces	..	....	4 to 6 annas per day	....	..	8 annas per day.	
Bihar and Orissa	..	Rs. 10 per month per family.	....	....	..	....	
North-West Frontier Province.	..	No information	....	....	..	Power factory Rs. 15 per month, non-power factory Rs. 12 per month.	Since 1928 no change in spinning and weaving wages in cottages.

126. In the following Table for convenience of reference index numbers showing the fall in general prices have been worked out taking 1920-21 as the basic year:—

Fall in general prices.

TABLE XXXVIII.—*Index numbers of prices.*

Year.	Raw wool exported from India.	Woollen piece-goods imported into India.	Year.	Exported articles (28).	Imported articles (11).	General index numbers for all articles.
1920-21	100	100	1920	100	100	100
1921-22	80	95	1921	85	81	84
1922-23	84	69	1922	87	71	82
1923-24	88	55	1923	80	69	76
1924-25	98	52	1924	79	77	78
1925-26	88	47	1925	83	75	80
1926-27	88	43	1926	80	69	77
1927-28	87	40	1927	74	66	71
1928-29	87	43	1928	75	61	71
1929-30	88	45	1929	77	60	72
1930-31	83	36	1930	63	56	60
1931-32	60	29	1931	44	48	45
1932-33	39	26	1932	42	49	44
1933-34	35	27	..	..	..	..
1934-35	38	31	..	..	..	..

127. The most powerful evidence of the condition of the industry is to be found in the fall in the volume of production. All local Governments are most emphatic about the effect of foreign competition on the output of the industry, and though we have no comparative figures of former years, the evidence is confirmed by the great increase in the imports of those woollen goods which compete with those of the handloom industry. This general conclusion is supported by an excessive fall in the price of South

Fall in the volume of production.

Indian wool owing to the lack of local demand; the average price having fallen from 3·35 annas in 1928 to 1·67 annas in 1934. Bombay reports that not more than 3 annas profit can be made on the lowest quality of kambli and there is evidence that the Bombay weaver has been attempting to meet the low price by a reduction in the normal weight of the kambli. The effect of this depression in the woollen industry on the general economic condition of the people varies of course with the relative importance of the industry in any given area. The effect is therefore severest in Kashmir and the hill tracts of the Punjab and the United Provinces and in parts of Mysore.

The carpet industry.

128. The Carpet industry of India has not applied for protection and we shall therefore confine our remarks to a short description of its extent and the nature of its output. Carpet making has been an Indian industry from time immemorial. Indian wool, though most of it is unsuitable for other woollen fabrics, is peculiarly suited to carpet manufacture and most of the wool exported is, we believe, utilised for this purpose. In the south of India the industry is chiefly devoted to the manufacture of the floor covering known as the 'drugget' for which the local inferior wools are most suited. Pile carpets are also manufactured to some extent even in these areas. The manufacture of pile carpets however is chiefly carried on in the United Provinces, Kashmir and parts of the Punjab. The industry is most highly developed for the production of cheaper qualities in the United Provinces. Carpets of the very highest quality for which a superior wool is required are manufactured in Amritsar and in other towns of the Punjab and the United Provinces and in Kashmir. These are generally of Persian design and may fetch prices as high as Rs. 80 or more per square yard. Before the financial crisis in America that country was the chief market for these high class carpets. That market is only now beginning to recover its demand. It has been replaced to some extent by Great Britain and the continent, but the output is said to be not much more than half of what it was. The competition of Persian carpets is said to be affecting the demand both in America and European markets owing to the fall of the Persian exchange. There is also some competition from Persia in the Indian market, but the bulk of the Indian production goes abroad where the cheap Mirzapur carpets which are more suited to the new purchasing power of the American and European public, find a ready sale. The Ottawa Agreement has been of great benefit to this industry, exports to the United Kingdom which were under 4 million pounds (valued at Rs. 40·62 lakhs) in 1931-32 having risen to over 7 million pounds (valued at Rs. 68·96 lakhs) in 1934-35. Some estimates of the numbers of factories and looms and the total output are given in Tables XXXI and XXXII in this Chapter. The output of the larger factories is not included in these statements, but even so the large volume of exports, which exceeded 10 million pounds in the last year, leads us to suppose that

the number of carpet looms in cottages throughout the country has been greatly under-estimated.

TABLE XXXIX.—*Statement showing the export of carpets and rugs from 1925-26.*

Year.	Quantity lbs. (Thousands).	Value Rs. (Thousands).	Average value Per lb. Rs.
1925-26	3,875·6	77·97	2·01
1926-27	3,845·8	71·59	1·86
1927-28	5,129·2	91·84	1·78
1928-29	5,164·9	94·22	1·82
1929-30	4,635·7	85·02	1·83
1930-31	4,231·5	67·04	1·58
1931-32	4,766·8	56·72	1·19
1932-33	5,963·3	63·50	1·06
1933-34	8,452·4	72·67	·86
1934-35	10,003·4	89·81	·89

It will be seen that the average value of the exports has declined somewhat in the last few years, indicating expansion in the cheaper varieties, and also, in the opinion of the United Provinces Industries Department, some overproduction.

CHAPTER IX.

The Hosiery Industry.

Present position.

129. The manufacture of hosiery in small scale factories extends over the whole of Northern India starting from Bombay and Ahmedabad in the West and finishing at Calcutta in the East. It dates its commencement from the early years of the century, but until the year 1928 manufacture was largely confined (with some exceptions during the war) to cotton and artificial silk. The industry in its present form may be said to date from the year 1928 when the industry turned its attention more seriously to the manufacture of woollen hosiery. The reasons for this somewhat sudden change in the raw material are not very clear. It seems probable that the swadeshi movement with its agitation against the use of artificial silk gave its first impetus to the change over to wool and cheap yarn fostered the change in fashion. Whatever the reason, it was found that profits in woollen manufacture were considerably greater than in other materials. Not only did cotton hosiery factories turn to the manufacture of woollens, but (particularly in the Punjab) new factories were opened, and the industry spread very rapidly with the discovery of a cheap raw material of fine quality in the Japanese yarns which first began to come in large quantities in 1932-33. In the beginning yarns were obtained from the Indian mills as well as from imported sources and were largely of a quality known in the trade as R. D., *i.e.*, medium quality made of crossbred wool. The advent of Japanese yarns which were all of fine merino, almost extinguished the demand for lower qualities of hosiery yarns, and the cheapness of the Japanese yarn made it impossible for the Indian mills to compete in merino qualities. To-day we believe it is practically true to say that Indian yarns are used by hosiery manufacturers only in Bombay and Ahmedabad, and only the mills in Bombay are supplying any yarn at all. The use of a fine merino yarn completely changed the quality of the goods being manufactured and greatly increased the popularity of woollen hosiery. We doubt whether it will now be possible for the industry to revert to the lower qualities of a few years ago.

Imports.

130. The import statistics given in Table XVII show that there was a steady rise in the popularity of woollen hosiery for a number of years before its manufacture began in India. The trade was chiefly in the hands of the United Kingdom and was of a superior quality, the average values ranging round 4 shillings to 4 shillings 6 pence a pound. It is curious to note that the great fall in imports due to the depression of 1929 is coincident with the expansion of the Indian industry which however catered for a much cheaper market, and until the advent of the cheap merino yarns was producing an article much inferior in quality. In 1932-33 Japan also began to compete in the hosiery market sending 150,000 lbs. in that year at an average price of Re. 1·3 and in 1933-34 175,000 lbs. averaging in price

of Rs. 2·4, prices which indicate increasing quantities of the more expensive articles such as pullovers. Competition from countries other than the United Kingdom disappeared for reasons which we have already explained. It will be noted that the total imports were until the year 1934-35 still less than the maximum of 1928 and this certainly is an indication of the progress of the Indian industry. For there is general agreement that the demand for woollen hosiery has continued to increase. In 1934-35 the figures rose from 281 thousand to 409 thousand pounds, owing to a further rise in imports from Japan.

Extent.

131. It is difficult to give any precise statistics of the size of the industry to-day for the reason that it is essentially an off-shoot of the manufacture of cotton hosiery. The industry is probably not engaged in the manufacture of woollen goods for more than four or five months in the year, and since the demand for woollen hosiery is seasonal, this factor is likely to remain permanent. But since most of the machines can be used alternatively for cotton and woollen hosiery, it is not a factor which is likely to prove a handicap to the industry as a whole. We attempt in the accompanying statement to give an estimate of the number of factories engaged in the manufacture of woollen hosiery. The estimate is necessarily incomplete because although the larger factories have generally organised themselves into associations, there is a considerable number of so-called small factories containing from 5 to 10 machines, and even a larger number of cottages with a machine or two, scattered throughout the country chiefly in the Punjab and Bengal. The close association of the cotton and woollen sides of the hosiery industry also makes it useless to attempt any estimate of the numbers engaged in the woollen section, and we think the figures supplied to us are likely to be misleading. Very few factories possess machines suitable for woollens only, and though numbers of machines are said to be closed down in the off-season (particularly in those factories which have not in the past been devoted to cotton) we have no means of determining how many workmen are on part time and how many in full time employment.

TABLE XL.—*Hosiery factories employed in the manufacture of woollen hosiery.*

Province.	Factories.	
	Power.	Non-power.
Punjab	42	132
United Provinces	6	33
North-West Frontier Province	2	3
Delhi	7	3
Central Provinces	0	1
Bihar and Orissa	...	...
Bengal Association	10	90
Bombay	6	0
Kashmir	0	2
Total	73	264

132. In regard to output few of the Associations and not all of the factories that have given direct evidence have been able to give us correct statistics and we have no evidence at all of the output of the small unattached factories. The imports of yarn would give a fairly accurate means of estimating if the imports of hosiery yarn were distinguished from those of yarn for weaving. Unfortunately they are not. The reported figures of yarn consumption amount to some 12½ lakhs of pounds. The imports of worsted yarn in 1934-35 were over 16 lakhs of pounds (nearly double that of the preceding year) and it seems likely that the larger part of these is for hosiery. If we add the comparatively small quantities of yarn supplied by the Indian mills it would appear that the estimate of consumption of yarn is not far from the mark. This would mean an output of some 10 lakhs pounds of finished woollen goods. But this takes no account of the fact that the woollen hosiery trade to-day is predominantly a trade of mixed wool and other materials: we have no means of estimating the extent to which mixtures predominate in Indian production. In the only factory that has given us figures, of the total production of 18,400 lbs. 15,400 lbs. were mixtures. This is probably an unusually high proportion. Certainly the total output greatly outweighs the imports and we believe that the industry is as a whole still in the happy position of being able to make considerable profits, though these are naturally less than they were owing to the spread of internal competition and the pressure of increasing Japanese imports at a low price. The output of the small unattached factories is mostly confined to socks and stockings with some caps and mufflers. The larger concerns turn out pullovers, slipovers, coats and similar articles, and it is in these products that the competition of Japan is chiefly felt. The estimates we have given do not include the hosiery departments of the Indian Woollen Mills of Bombay and of the Mills of the Cawnpore Company.

Output.

133. The items of the Tariff Schedule applicable to woollen hosiery are Nos. 51 (1) and 52. Under item 51 (1) all hosiery and knitted apparel containing not less than 15 per cent. wool by weight pays a duty of 35 per cent. *ad valorem* or Re. 1-2 a lb. whichever is higher. Goods from the United Kingdom pay a preferential duty of 25 per cent. *ad valorem*. Imports from countries other than Japan and the United Kingdom had already virtually disappeared before the imposition of this specific duty. As we have already pointed out earlier in the report, the specific duty does not touch the articles in which the competition from Japan is specially felt, namely pullovers and slipovers, but fully protects the cheaper products such as socks and stockings. In subsequent paragraphs we shall attempt a comparison with the fair selling prices of Indian manufactures.

Effect of the specific duty.

134. It will be seen that the tariff item makes no distinction between pure wool and mixtures and since the most effective

competition is alleged to come from mixtures we think this is proper.

Japanese competition. But one of the chief complaints against the Japanese competition refers not to woollen or mixed imports but to cotton hosiery. If the woollen side of the industry is to pay its way, it is essential that during the off-season it should be able to turn its attention to the manufacture of hosiery from cotton and other staple fibres and it is represented that articles of cotton such as fleecy backed vests, coats and pullovers made from jacquered fabrics which are coming in increasing quantities from Japan are not included in the protected list of cotton hosiery. The relevant items in the Tariff Schedule are Nos. 51 (2) and (3) and 52. The complaint arises from the fact that while cotton undervests and cotton knitted fabric are protected, "apparel and hosiery not otherwise specified", pay only a revenue duty. We are given to understand that difficulty has arisen in the interpretation of 'undervests', different Custom Houses applying different interpretations. As a result Japanese vests which can really be used indifferently as underwear or outer wear have been admitted as 'apparel' paying only revenue duty. A further complaint of the same type is that knitted fabric is being imported in the shape of 'apparel', *e.g.*, mufflers, and being converted into children's underclothing, which should have paid the protective duty. The intention of the Tariff Board's recommendation as given in paragraph 187 of the Cotton Textile Report was to "impose a protective duty not only on imported articles which compete with similar articles manufactured in India, but also on imports of knitted fabric". It was added that "it will also be necessary to impose a protective duty on imports of underwear made from woven fabrics". We believe that the failure of the Schedule to carry out this intention has not been deliberate, and we recommend that the same protective duty should now be applied to apparel made of cotton knitted fabrics as to the knitted fabric itself.

135. We have carefully examined the statements of costs which have been submitted to us by the Associations of Bengal and

Cost of production. Ludhiana and some individual factories. In certain respects we find some of them excessively inflated, and inconsistent with the present position of the Industry. We have substituted selective costs which we believe to represent more nearly the proper costs of the more efficient units of the Industry. The Associations claim that in general the small factories are at no disadvantage in comparison with larger concerns: in the particular lines that they manufacture there may even be an advantage. We see no reason to change the opinion in this respect that the Tariff Board arrived at in paragraph 189 of the Report on the Cotton Textile Industry, *viz.*, that in general this view is correct. Most of the factories are established in hired buildings, and capital outlay is therefore confined to machinery. A certain amount of this, mostly hand-driven circular machines, is being manufactured in the Punjab,

but it is reported that they are not durable, and the bulk of the up to date machinery is imported from England and Germany. As was the case with cotton hosiery, the weight of the Japanese goods is generally less than that of the Indian. Though this serves to accentuate the difference in price of comparable articles when they are sold retail we understand that some Indian manufacturers prefer to maintain a slight excess in weight, in order to push their own sales. The complaint is general that the depreciation allowed by the Income-tax Department on machinery (5 per cent.) is inadequate, and some of the factories claim that they are obliged to provide 20 per cent. in their accounts. We repeat the recommendation made in the report on the cotton trade that 10 per cent. allowance should be regarded as reasonable for both sewing and knitting machines.

Present preferential duty on United Kingdom goods to be retained.

136. It is generally agreed that there is no competition to-day between hosiery from the United Kingdom and Indian manufacturers, the bulk of the manufactures from the United Kingdom coming in to-day being either priced higher than the comparable Indian garment, or of kinds and qualities which are not generally made in India such as ladies' underwear. The demand by some manufacturers for a certain increase of duty on imports from the United Kingdom is based on the fear of what may happen if the present scale of duties is raised against Japan. In view of the steady level of prices from the United Kingdom we see no justification for this fear, and recommend that the present preferential duty should be retained.

Protective duty not higher than present revenue duty required against Japan.

137. We find that a protective duty is required against Japan, but that it need not be higher than the present revenue duty. The following Table of comparative prices estimates the extent of protection required in typical articles of pure wool:—

TABLE XLI.

Description of article.	Size.	Weight.	Japanese. C.i.f. price per dozen.	Japanese. Cost per lb.	Indian. Fair selling price per doz.	Indian. Cost per lb.	Difference in price per dozen.	Difference in price per lb.	Percentage of incidence.
		Ozs.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1. Slipover . . .	32″	4·4	21 0 0	6 5 9	25 8 0	7 11 8	4 8 0	1 5 11	21
2. Ditto . . .	34″	6·9	23 6 5	4 8 3	33 6 0	6 7 2	10 0 0	1 14 11	43
3. Ditto . . .	34″	5·1	22 3 8	5 13 0	28 8 0	7 7 1	6 4 0	1 10 1	28
4. Ladies' Slipover . .	32″	6·8	25 11 10	5 0 9	33 3 0	6 6 2	7 4 0	1 5 5	29
5. Cardigan . . .	30″	6·8	25 0 0	4 14 5	35 9 0	6 15 7	10 8 0	2 1 2	42
6. Pullover . . .	34″	9·2	21 12 0	3 2 5	39 2 0	5 9 6	17 6 0	2 7 1	78
7. Ladies' coat . . .	32″	9·6	32 12 0	4 9 4	39 12 0	5 8 4	7 0 0	0 15 0	21

Description of article.	Weight.	Japanese. C.i.f. price per doz.	Japanese. Equal to cost per lb.	Indian. Fair selling price per doz.	Indian. Equal to cost per lb.	Difference in price per doz.	Difference in price per lb.	Percentage of incidence.
	Oz.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
Socks	2½ per pair.	4 4 6	2 4 6	6 3 3	3 4 11	1 14 9	1 0 5	45

Comparison of prices.

138. We have had some difficulty, owing to the differences in the reported prices of Japanese goods, in arriving at a reliable comparison. There is a very great range of weights in Japanese hosiery. Pullovers of similar appearance may vary in weight from $4\frac{1}{2}$ ozs. to 10 ozs. each. In the comparison of prices made by manufacturers we are afraid this variation has sometimes been ignored. Indian manufacturers tend to be conservative in their methods, but since the fair selling price varies directly with the weight of the article, and there is no reason that we can admit why Indian manufacturers should not manufacture goods of exactly similar weight to imported articles, we are obliged in our comparison to set only similar weights against one another. In the above Table therefore we have either chosen articles of similar weight, or have taken imported hosiery garments (similar to those made in India but of which we have no exactly similar samples) and costed them on the Indian basis. The comparison shows that the present revenue duty of 35 per cent. will cover the average difference between the fair selling price and the Japanese selling price, if we exclude the one outstanding exception. In none of these examples does the specific duty of Re. 1-2 per lb. come into force.

Mixed hosiery.

139. We have been told that competition is severe in Japanese hosiery of mixed wool and cotton or artificial silk. But no witness has supplied us with samples of mixed hosiery: we have not therefore been able to ascertain comparative prices. But the cost to manufacture mixtures will be identical with that of woollen hosiery, and we see no reason for any discrimination against mixtures, except to the extent given by applying the same specific duty.

Socks.

140. The duty required on socks would appear to be about 50 per cent. which is approximately the incidence of the present specific duty of Rs. 1-2 a lb. on the example given. We recommend therefore that the existing duties of Re. 1-2 a lb. or 35 per cent. *ad valorem* be retained as protective duties.

Claim for 25 per cent. margin of duty on the finished product not justified.

141. A common demand from hosiery manufacturers is that a margin of at least 25 per cent. should be maintained between the duty on yarn and the duty on the finished product. The claim is unjustified and seems to be based on some confusion of thought. Yarn cost is at least 50 per cent. of the cost of the finished article: conversion costs therefore excluding overheads and profit amount to 42 per cent. The same proportions must certainly apply roughly to all foreign hosiery. And the claim therefore that 25 per cent. should be imposed on the declared value of the finished article amounts to a demand that a duty of 60 per cent. should be imposed on the costs of manufacture.

Industry's claim to protection justified although raw material wholly imported.

142. The position of the small scale woollen hosiery factory differs in respect of its raw material from the cotton factory in that while it has available in present circumstances an almost unlimited supply of cheap worsted yarn, this "raw material" is almost all imported. It owes its rapid growth and undoubted present prosperity very greatly to this factor but it remains a fact that the larger part of the industry to-day fails to fulfil the first condition of the Fiscal Commission. On the other hand it must be remembered that the industry has reached its present position under the encouragement of the high revenue duties deliberately imposed on imported woollen hosiery: and would we think have a legitimate grievance if it were now held that this quasi protection was unjustified on this ground. And we have pointed out that woollen and cotton hosiery manufacture are in many instances joint and complementary, and in the climatic conditions of India are to some extent mutually dependent. In the circumstances we consider that the Industry may claim to be protected.

Supply of yarn.

143. Three of the large scale woollen mills have hosiery departments—the Indian Woollen Mills and the Dhariwal and Cawnpore Mills—but we have little or no evidence of the extent to which there is competition between the two branches of the Industry. Much of the mill production goes to fulfil Government contracts. We have already made note of the fact that the woollen hosiery trade to-day—apart from some special lines required in some Government departments—is almost entirely a merino trade, and that the large market demand that at present exists would almost certainly decline if the quality of the output deteriorated. The importance of a supply of first class yarn needs no further emphasis. We have discussed in paragraph 107 the question whether the existing mills are in a position to supply it. The Hosiery Associations fully realize the dilemma and, we understand, are divided in their views. But most of them are inclined not to oppose protection of yarn provided they get a fully equivalent protection of their finished goods. This attitude (apart from any consideration of consumer's interests) ignores the probable effect on their market of any considerable increase in the price of hosiery, and if internal competition keeps down prices they may find themselves with already reduced profits at a disadvantage in competition with the mills. The Ludhiana Association believes that such a position will induce the setting up of spinning mills and is prepared to take the risk. For reasons which we have discussed at length in dealing with the claim for protection of yarn we prefer the alternative solution of this problem.

CHAPTER X.

Miscellaneous.

Roller cloth, sizing flannel and clearer cloth.

144. Among the claims to protection are included those from certain mills on account of roller cloth, sizing flannel, clearer cloth and belting yarn. These materials as a result of the recommendations of the Cotton Textile Tariff Board (1926) were placed on the duty free list on the ground that they were among the important mill stores used by the cotton mill Industry. Since that year, the duty on the first three items has been raised to 10 per cent. and that on belting yarn to $6\frac{1}{4}$ per cent. Roller cloth, we have ascertained, is still not manufactured in India in commercial quantities. We recommend that it should remain subject to revenue duty only. Sizing flannel and clearer cloth however are manufactured in satisfactory qualities by a number of mills: some of them for consumption by cotton mills under the same management, others for the market. It is reported that about 29,000 yards of clearer cloth and 89,000 yards of sizing flannel are consumed per annum by the Indian cotton mill Industry. This consumption is easily within the capacity of the Indian producing mills. The Millowners' Association of Bombay has agreed as a "gesture of goodwill to the sister industry" that these two materials should be included in any scheme of protection that is recommended, provided that the protective duties are imposed for a strictly limited period. We agree with the Millowners' Association that a larger market will enable the Indian producer to reduce prices and internal competition will prevent any burden on the consuming industry. Imports are chiefly from the United Kingdom and the difference in price is reported to be 4 annas a yard. The difference between the Indian fair selling price and the imported c.i.f. price works out at less than 25 per cent. and consequently will be covered by the preferential duty which may be imposed on the United Kingdom manufactures. We therefore recommend that sizing flannel and clearer cloth should now be removed from the list of mill stores subject to a reduced duty.

Belting yarn.

145. With regard to belting yarn we have no statistics of imports of this material. The manufacture of belting from woollen yarn is, so far as we can ascertain, carried on only by two or three Calcutta firms. One of these firms which consumes about 300,000 lbs. a year of yarn, reports that it already uses mostly indigenous yarn in the manufacture of its hair belting, and while they do not object to an increase in the duty on the imported yarn they claim that it would be necessary to put on a compensating duty on foreign belting in order to balance the enhanced price of the indigenous yarn they are already using. In these circumstances we see no special ground for treating belting yarn differently from other yarns which

on other grounds we have declined to recommend for protection. We recommend that the present revenue duty should be retained.

Synthetic wool.

146. The possibility of the extended use of synthetic wool was brought to our notice by a witness who informed us that a process of manufacture of synthetic wool from jute had been perfected by a German firm. We have been able to obtain no evidence of the import into India of such material.

Braids.

147. The import of woollen braids has increased in the last year and has now reached a figure of 40,000 lbs. No Indian manufacturer has claimed any protection against these imports and we recommend that the ordinary revenue duty should continue to be imposed on this material.

Slaughter of ewes.

148. We have received evidence that the practice of killing ewes with young in order to obtain the fleece of the unborn lamb is extending. Apart from its effect on the supply of better class Indian wools we consider this to be a barbarous practice which should be stopped. We recommend that the export of lambs' wool on the pelt be prohibited.

Mixed serge fabrics of the type used for Government contract to be classed as woollens.

149. It has been brought to our notice that there is a type of cloth used chiefly for Government contracts (we have come across no examples of it in the markets) made of worsted warp and woollen weft. It is a serge in which great strength is required combined with cheapness. We recommend that fabrics of this construction should be classed as woollens.

Competition from jail manufactures.

150. Some complaint has been voiced by representatives of the mills regarding the competition of jail manufactures. We have collected from local Governments the figures of output of woollen goods in jails and the following statement gives the total under different heads. Since some Governments have reported in pounds, and some in numbers, both have been included in the totals.

TABLE XLII.

	Number.
Blankets . . .	93,942 *plus* 354,256 lbs.
Piecegoods . .	... 18,417 yards.
Hosiery . . .	213 *plus* 22,500 pairs.
Carpets . . .	272 *plus* 298 square yards.
Miscellaneous . .	10,140 *plus* 14,105 pairs and 17,371 lbs.

Effect of proposals on Customs revenue examined.

151. An estimate of the effect of our proposals on the Customs revenue cannot be more than guesswork. In blankets the effect of the addition of 4 annas specific duty to the *ad valorem* duty would raise the revenue on the present imports by Rs. 16 lakhs. Imports of rugs would have to fall by about

3 million pounds before a loss of present revenue can occur. In woollen piecegoods the loss of the whole shoddy trade would involve a loss of Rs. 5½ lakhs revenue. We do not anticipate this. In worsteds, assuming that the average duty to-day amounts to 43 per cent. on half of Rs. 180 lakhs (the value of piecegoods), and is therefore about Rs. 38 lakhs, our proposals would raise the revenue on the same volume of imports by Rs. 17 lakhs. The revenue from the United Kingdom and Continental imports may be assumed to remain steady, and therefore Japanese imports would have to fall by about Rs. 22 lakhs in value before the additional revenue will be lost. The value of Japanese worsted imports may be put at about Rs. 50 lakhs.

G. WILES,
President.

FAZAL I. RAHIMTOOLA,
Member.

H. R. BATHEJA,
Member.

Bombay, dated the 10th June, 1935.

APPENDIX I.

Representations received by the Tariff Board.

1. The Millowners' Association, Bombay.
2. Messrs. E. Hill and Company, Limited, Nainital.
3. Mr. Guranditta Anant Ram and Others, Jalalpur Jattan, Gujarat.
4. The Oriental Carpet Manufacturers (India), Limited, Amritsar.
5. Shaikh Gulam Sadik Woollen Mills, Amritsar.
6. Messrs. Ahmed Ebrahim Brothers, Rangoon.
7. Messrs. C. M. Hadow and Company, Srinagar.
8. Bombay Woollen and Fancy Cotton Piecegoods Merchants' Association, Bombay.
9. The Bangalore Industrials, Bangalore.
10. Messrs. A. Tellery and Sons, Limited. Bhadoi, Benares State.
11. The Bengal Belting Works, Limited, Calcutta.
12. Messrs. Bettmann and Kupfer, Bombay.
13. The Hon'ble Mr. Hossain Imam, Gaya.
14. The Trade Commissioner for France in India.
15. Messrs. Diwan C. Mehra and Company.
16. Consul General for Germany, Calcutta.
17. Mr. Maganlal Bhikhabhai, Ahmedabad.
18. Hosiery Manufacturers' Association, Ludhiana.
19. Atlas Hosiery Works, Jullundur.
20. The Kesari Hosiery, Khanna.
21. Messrs. Beri Brothers, Ludhiana.
22. Rai Bahadur Hosiery, Ludhiana.
23. Swadeshi Karyalaya, Ludhiana.
24. Gujsta Hosiery Mills, Ludhiana City.
25. Sund Hosiery, Ludhiana.
26. The Hosiery Manufacturers' Association, Bengal, Calcutta.
27. The Pucka Hosiery Mills, Cawnpore.
28. The Hosiery Manufacturers' Association, Lahore.
29. National Federation of Hosiery Manufacturers' Association of the United Kingdom.
30. Association for the Development of Swadeshi Industries, Delhi.
31. Delhi Piecegoods Association, Delhi.
32. Merchants' Chamber of the United Provinces, Cawnpore.
33. Punjab Chamber of Commerce, Delhi.
34. Indian Merchants' Chamber, Bombay.
35. Karachi Chamber of Commerce, Karachi.
36. Blanket and Shawl Traders' Association, Calcutta.
37. Marwari Chamber of Commerce, Calcutta.
38. Madras Chamber of Commerce, Madras.
39. Hindusthani Mercantile Association, Delhi.
40. Chamber of Commerce, Bombay.
41. Wool Textile Delegation and the Huddersfield Chamber of Commerce in Great Britain.
42. Bradford Chamber of Commerce, Bradford, England.
43. Army Department of the Government of India.
44. All-India Hosiery Manufacturers' Association, Cawnpore.

APPENDIX II.

List of those who gave oral evidence before the Tariff Board.

1. Raymond Woollen Mills, Limited, Bombay—4th March, 1935.
2. Government of the United Provinces—5th March, 1935.
3. Indian Woollen Mills, Bombay—6th March, 1935.
4. Bangalore Woollen, Cotton and Silk Mills, Company, Limited—7th March, 1935.
5. Kaiser-I-Hind Woollen, Cotton and Silk Mills, Limited, Bangalore—7th March, 1935.
6. Joint representation of the Indian Woollen Mill Industry—8th and 9th March, 1935.
7. Government of Bombay—12th March, 1935.
8. Messrs. Shankalchand G. Shah and Company, Bombay—13th March, 1935.
9. Messrs. Jiwandas Bhanji and Company, Bombay—13th March, 1935.
10. Messrs. Hazarat and Company, Bombay—14th March, 1935.
11. Government of the Punjab—18th March, 1935.
12. British India Corporation, Limited, Cawnpore—19th March, 1935.
13. Hosiery Manufacturers' Association, Bengal—25th March, 1935.
14. Hosiery Manufacturers' Association, Ludhiana—26th March, 1935.
15. Messrs. Mangaldas Kahandas and Company, Bombay—13th April, 1935.
16. Bradford Chamber of Commerce, England—16th and 17th April, 1935.

APPENDIX III.

Visits of Inspection.

During the period from the 23rd October to 18th November, 1934, the Board visited the woollen mills at Thana and the woollen mills and drugget factories at Bangalore. In the latter place the Board also inspected the sheep breeding farms and several centres of *kambli* weavers. They had discussions with the Director of Agriculture and the Live Stock Expert of the Government of Mysore and the representatives of the Sheep Breeders Association at Kolar. They also visited the Yelachalhally sheep farm and inspected the *kambli* weavers at Hansur in Mysore. During a second tour from the 4th to 20th December, 1934, the Board visited the Dhariwal Woollen Mills, several carpet, hosiery and weaving factories and some of the important cottage blanket and shawl manufacturing centres in Northern India, where they also met the representatives of several Associations and dealers interested in the woollen goods trade and manufacture. They also visited Sind where several woollen godowns were inspected. The Board had discussions with the representatives of the principal Associations and Chambers at Karachi. In Bombay they have been in continual touch with importers and merchants in regard to various matters.

APPENDIX IV.

Some Raw Wool Statistics (average of five years).

	lbs.	
A. *Imports* by sea (including "tops") .	5,741,000	
,, by land	11,380,000	
Total imports . . .	17,121,000	
Re-exports . . .	7,353,000	
Net imports . . .		9,768,000
B. *Exports* of Indian wool		42,050,000

C. *Estimated consumption by the Woollen Industry 1933-34*—
(a) *Mills*—

Foreign.	East Indian.	Total.
lbs.	lbs.	lbs.
2,846,000	10,720,000	13,566,000

(b) *Cottages and small factories*—

(See Table I.)	23,618,000
Total consumption	37,194,000

NOTE.—Figures of East Indian and Indian are not always distinguished. But consumption of Indian wool by Mills probably amounts to about 7,000,000 lbs. and of "East Indian" wools (including Indian) to about 10,719,000 lbs. the difference, 3,719,000 lbs. being 'Frontier' wools. Consumption of other "foreign wools" by Mills is probably about 2,846,000 lbs.

Net imports of all wools amount to 9,768,000 lbs. Mill figures account for only 6,500,000 lbs. of this. If the Customs figures are accurate it seems likely that the bulk of the balance (about 3 million lbs.) is "Frontier wool" used by the cottage industries and carpet industries of the North. Of Indian wools the cottage industries consume (according to reports) about 23,618,000 lbs. To this must be added consumption by the carpet factories not included in the provincial reports which may be put at about 8 million lbs. For convenience the 3,000,000 lbs. of frontier wool may be assigned to carpets. This leaves 5 million lbs. of wool to be added to the estimated consumption by the textile industry.

Exports of Indian wool amount on the average to 42,000,000 lbs. (in 1933-34 they were nearly 56 million). We cannot add this figure to the industrial consumption in order to get the total production of wool, because we have no figures of the domestic consumption of wool for other than industrial purposes, nor any estimates of consumption at all from the other Indian States. But if we take the Census of sheep as a rough guide and count the production of wool as 1¼ lbs. per sheep, we get a total production of about 16,750,000 lbs. for the other Indian States. We know that a considerable amount of wool is exported from Hyderabad and the Rajputana, Punjab and

Western India States; and we might put this at about one-third the estimated crop, *viz.*, 5,600,000 lbs. If we deduct this from the total exports, as being already included, we get the following figures:—

Reported Industrial consumption . . .	35,618,000
Production in other Indian States . . .	16,750,000
Exported (less Indian States exports included above)	36,400,000
Total	88,768,000

To this must be added the wool used locally for domestic and other purposes. (In Madras for instance it is reported that a good deal of wool is used for manure.) We cannot hazard a guess at this consumption. But it seems likely that the total production of wool is in the neighbourhood of 100 million lbs., including Kashmir. We have no census of sheep from Kashmir. For the rest of India the census of 1929-30 gave a total number of 41,798,000 sheep. The average annual clip in the Punjab is said to weigh about 2 pounds: it may be about the same in the United Provinces. In Mysore and the South of India tests give the annual clip as about 1¼ lbs. per sheep: and this average probably applies to the greater part of India. It is clear that the census greatly under-estimates the number of sheep.

APPENDIX V.

Note on sheep breeding in India by the Imperial Council of Agricultural Research.

The problem of sheep breeding in India with a view to improving the quality of wool has been receiving the attention of the Imperial Council of Agricultural Research and the following action has been taken.

In 1933 a scheme was submitted by the Bombay Government for sheep breeding in that province including cross breeding with Merino sheep for the improvement of wool. The matter was referred to the Cattle Breeding Committee of the Imperial Council of Agricultural Research and a scheme was drawn up for experimental sheep breeding at suitable centres in India the object of which was to carry out co-ordinated work with view to improving the best breeds of Indian sheep particularly for improved wool production. It was decided that as a general rule the correct policy would be to develop local wool producing breeds, of which the Bikanir appears to be the best, and that experimental breeding should be carried out at the following centres, *viz.*, Hissar Farm, Hingoli Hosur (Madras), Bhamburda (Bombay), Mahbubnagar in Hyderabad State, a selected centre in Mysore, Bharkhand in Baluchistan and at Kangara. Two schemes have accordingly been approved, one for Bombay and another for Madras, and other schemes are expected.

Work on improvement of wool bearing sheep has been in progress for some years in the Mysore State where the Merino sheep have been used to a considerable extent for cross breeding and this work is still in progress.

At Hissar Farm also experimental breeding with a cross-bred Merino and Bikanir Sheep has been carried on for a number of years and though great difficulty has been experienced in maintaining pure-bred Merino Sheep for any length of time in the plains, a cross-bred sheep has been evolved, and is now to some extent fixed in type, called the Hissar Dale Sheep. These sheep produce a larger quantity and finer quality of wool than any Indian sheep and it is hoped that they may be able to thrive under Indian conditions in certain localities.

It is, however, still doubtful if the breeding of Merino cross-bred sheep will be generally practicable in the plains in India and it is considered that the improvement of Bikanir sheep for wool production is likely to prove more feasible and more satisfactory in the long run. It is anticipated that work on these lines will be considerably increased in the near future in certain provinces and States, where conditions are likely to be suitable for the production of wool bearing sheep.

APPENDIX VI.

(1) *Value of Woollen Goods purchased by the Indian Stores Department on behalf of the Central and Local Governments for five years commencing from 1929-30.*

—	1929-30.		1930-31.		1931-32.		1932-33.		1933-34.	
	Imported.	Indigenous.	Imported.	Indigenous.	Imported.	Indigenous.	Imported.	Indigenous.	Imported.	Indigenous.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Piecegoods	2,88,802	7,41,864	1,18,022	12,49,926	7,22,926	8,16,400	3,22,584	2,04,364	6,03,992	5,13,196
Blankets and Rugs . . .	..	10,18,052	..	10,55,674	..	10,79.908	..	10,36,166	..	5,61,225
Hosiery	..	10,17,076	225	5.92,009	2,12,003	8.75,361	1,38,144	6,75,371	3,52,588,	6,46,256
Other sorts . . .	..	6,11,304	97	3,17,419	67.502	4,29,777	77,241	3,35,396	69,641	3,24,871

(2) *Purchases of Local Governments otherwise than through the Agency of the Indian Stores Department.*

We have obtained figures from all provinces of purchases of woollen goods made otherwise than through the agency of the Stores Department. Since all provinces do not follow the same system in calculating their purchases, we are able to give values only. The average annual value of the purchase of piecegoods amounted during the seven years ending 1933-34 to—

Imported	Rs. 39,000
Indian	,, 1,76,000

The value of the imported goods fell from Rs 70,000 in 1927-28 to Rs. 28,000 in 1933-34.

Blankets—

Imported	Rs. 2,300
Indian	1,34,000

The average price of Indian blankets in 1927-28 was Rs. 3·53 and in 1933-34 Rs. 4·88.

Hosiery—

Imported	Rs. 3,000
Indian	,, 1,18,000

Other sorts—

Imported	Rs. 41,000
Indian	,, 1,22,000

Purchases of Local Governments otherwise than through the Indian Stores Department.

	1927-28.		1928-29.		1929-30.		1930-31.	
—	Imported Value.	Indian Value.	Imported Value.	Indian Value.	Imported Value.	Indian Value.	Imported Value.	Indian Value.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Piecegoods	69,953	1,95,211	49,154	1,68,378	51.948	1,91,019	22,312	3,11.499
Hosiery	2,807	1,33,098	2,807	1,34,740	2.807	1,15,262	2,807	1,10,485
Blankets	1,526	1,13,206	2,851	1,08,909	1,537	1,08,034	4,538	1,49,024
Other sorts	40,571	1,30,795	39,296	1,39,677	39,001	1,21,935	38,972	1,58,457

	1931-32.		1932-33.		1933-34.	
—	Imported Value.	Indian Value.	Imported Value.	Indian Value.	Imported Value.	Indian Value.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Piecegoods	30,495	1,48,198	19,352	1,12,496	28,013	1,05,447
Hosiery	2,807	1,02,441	2,807	1,01,774	2,807	1,11,739
Blankets	3,041	1,76.360	1,433	1,37,876	1,405	1,42,954
Other sorts	41,947	1,12,168	41,254	92,640	42,830	97,293

(3) *Purchases of the Railways otherwise than through the agency of the Indian Stores Department for the year 1933-34.*

	Rs.
Blankets	31,352
Piecegoods	33,061
Hosiery	391
Other sorts	8,351

APPENDIX VII.

(1) *Average imports into India for 5 years from 1929-30 to 1933-34.*

—	Blankets and rugs other than floor rugs.		Shawls.		Piecegoods.		Worsted yarn for weaving.		Hosiery.		Other sorts.	
	Lbs. (thds.)	Rs. (lakhs)	No. (thds.)	Rs. (lakhs)	Yards (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
United Kingdom—1933-34	87·3	..	8·9	..	3,181·4	..	300·5	..	108·9	..	320·8	..
Average of 5 years	82·6	1·23	21·9	·85	2,611·2	54·64	233·5	3·08	169·8	7·83	221·3	2·50
Ceylon—1933-34	..	..	..	..	..	..	..	..	..	..	..	..
Average of 5 years	..	..	..	..	1·1	·02	..	..	..	..	..	..
Hongkong—1933-34	1·9	..	..	..	·3	..	..	..	·5	..	..	..
Average of 5 years	2·8	·07	..	..	2·9	·05	..	..	5·7	·20	..	..
Poland—1933-34	..	..	..	..	295·8	..	78·1	..	..	..	..	..
Average of 5 years	..	..	..	..	106·3	1·28	190·6	3·40	..	..	..	..
Germany—1933-34	74·0	..	171·5	..	399 1	..	15 2	..	..	..	20·4	..
Average of 5 years	211·6	1·26	197·1	9·25	551 6	10·44	70·2	1·73	9·1	·41	23·8	·37
Nerherlands—1933-34	0·2	..	..	..	33·9	..	..	..	..	..	..	..
Average of 5 years	2·3	·03	..	..	109·7	3·38	..	..	..	..	..	..
Belgium—1933-34	..	..	·09	..	539 8	..	3·8	..	..	..	..	..
Average of 5 years	22·6	·12	4·4	·15	308·3	4·24	9 6	·17	..	..	..	..
France—1933-34	23·5	..	8·9	..	2,742·9	..	21·6	..	..	..	3·5	..
Average of 5 years	57·3	·33	29·38	·93	3,077·9	30·39	82·5	1·35	7·6	·41	1·2	·02
Switzerland—1933-34	..	..	·2	..	54·8	..	..	..	·7	..	..	..
Average of 5 years	2·2	·03	·3	·03	32·1	·47	..	..	·6	·04	..	..
Italy—1933-34	4,895·5	..	35·2	..	2,123·4	..	..	..	·8	..	·5	..
Average of 5 years	3,632·7	32·70	89·7	1·87	2,252·7	27·01	..	..	·8	·03	16·3	·18
Austria—1933-34	..	..	..	..	3·1	..	..	..	..	..	..	..
Average of 5 years	..	..	·2	·01	5·7	·14	·84	·03	..	..	..	..
Czechoslovakia—1933-34	·5	..	..	..	58·2	..	..	..	..	..	..	..
Average of 5 years	1·0	·03	..	..	194·4	3·98	2·9	·06	·4	·02	3·8	·06
Persia—1933-34	..	..	..	..	·06	..	..	..	..	..	..	..
Average of 5 years	..	..	..	..	2·3	·02	..	..	..	..	..	..

(1) *Average imports into India for 5 years from 1929-30 to 1933-34*—contd.

—	Blankets and rugs other than floor rugs.		Shawls.		Piecegoods.		Worsted yarn for weaving.		Hosiery.		Other sorts.	
	Lbs. (thds.)	Rs. (lakhs)	Nos. (thds.)	Rs. (lakhs)	Yards (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)	Lbs. (thds.)	Rs. (lakhs)
Siam—1933-34	..	..	..	..	..	..	..	..	..	..	..	..
Average of 5 years	..	..	..	..	2·8	·02	..	..	..	..	..	..
Japan—1933-34	33·8	..	106·6	..	2,090·4	..	465·4	..	170·0	..	6·5	..
Average of 5 years	9·5	·12	38·5	·35	980·8	6·34	103·0	1·57	71·7	1·45	2·4	·04
Portugese East Africa—1933-34	..	..	..	..	3 9	..	..	..	..	..	..	..
Average of 5 years	..	..	..	..	1	·01	..	..	..	..	..	..
United States of America—1933-34.	1·7	..	..	..	·03	.	..	..	..	..	11·7	..
Average of 5 years	11·8	·09	..	..	7·9	·05	..	..	..	..	22·6	·13
Sweden—1933-34	..	..	..	..	..	..	..	..	..	..	..	..
Average of 5 years	..	..	..	..	3·7	·06	..	..	..	..	..	..
Hungary—1933-34	..	..	..	..	..	..	..	..	.	..	12·3	..
Average of 5 years	..	..	..	..	..	..	.	..	..	..	8·7	·04
Other countries—1933-34	..	..	..	..	..	..	.	..	..	..	..	..
Average of 5 years	5·3	·05	·6	·13	8·3	·10	1 2	·01	1·3	·04	3·4	6·7

(2) *Average imports into India for 6 years from 1929-30 to 1934-35.*

—	Blankets and rugs other than floor rugs.		Shawls.		Piecegoods.		Worsted yarn for weaving.		Hosiery.		Other sorts.	
	(Thds.) lbs.	(Lakhs) Rs.	(Thds.) Nos.	(Lakhs.) Rs.	(Thds.) Yard.	(Lakhs) Rs.	(Thds.) lbs.	(Lakhs) Rs.	(Thds.) lbs.	(Lakhs) Rs.	(Thds.) lbs.	(Lakhs) Rs.
Poland	..	..	..	..	..	..	163·0	3·05	..	..	83·1	..
Germany	176·3	1·04	188·1	8·83	531·7	9·97	58·5	1·44	7·5	·34	47·8	..
Belgium	..	..	..	..	260·7	3·62	8·0	·16	..	..	..	..
France	47·8	·28	24·5	·78	2,607·4	26·16	68·7	1·13	..	..	..	..
Italy	4,024·1	35·57	74·8	1·56	1,909·3	23·10	..	..	·7	·03	195·2	..
Czechoslovakia	..	..	..	..	152·3	3·12	2·4	·05	..	..	3·2	·01
Japan	7·8	·10	68·6	..	1,960·5	17·46	310·9	5·48	104·6	2·31	2·0	·04

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